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Japan

Kaifu's Upcoming Visit to PRC Previewed

Disarmament Statement Likely

OW0808024291 Tokyo KYODO in English 0204 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—The likelihood is high of a joint Tokyo-Beijing statement on disarmament and arms controls being issued during Prime Minister Toshiki Kaifu's visit to China beginning Saturday, government sources said Thursday.

Kaifu, during his four-day visit to China, is expected to urge Chinese leaders to support a Japanese proposal to create a united nations register that would bring openness to the international sale of arms. He will also urge Beijing to sign the Nuclear Nonproliferation Treaty (NPT), the sources said.

In his meetings with Premier Li Peng and other Chinese leaders, Kaifu will press Beijing to join a 1987 regime which sets guidelines for the transfer of technology that can be used in the production of missile systems, the sources said.

China, which is one of the world's leading arms exporters, has admitted supplying Pakistan with missiles that other governments feel could exceed the missile technology control guidelines.

Government sources suggest that in the joint statement China will support the creation of the U.N. register on conventional arms transfers and will "understand and obey" the spirit of the NPT and the missile technology controls.

"This carries epoch-making significance," said one source, since "it will be the first time for China to make an international declaration about its responsibilities to disarmament and arms control."

Still, there remains the question of whether China will accept verification of its compliance with the missile technology control regime and other accords, the source added.

A separate government source said, "there are some aspects of China's actions that we just cannot read."

In Hiroshima on Tuesday, Kaifu praised China for its participation in a U.N. conference last month in Paris which discussed reducing the flow of arms to the Middle East.

Chinese Foreign Minister Qian Qichen indicated during his visit to Tokyo in June that his country's readiness to sign the NPT in the near future.

Among the five nuclear powers, only France and China have yet to sign the NPT, which took effect in 1970. France, however, also declared in early June that it was willing to sign the treaty.

Kaifu To Extend Loans

OW0808134691 Tokyo KYODO in English 1230 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—Prime Minister Toshiki Kaifu will pledge to extend a total of 130 billion yen in loans to China when he meets Chinese Premier Li Peng over the weekend, government officials said Thursday.

The Japanese prime minister will also offer some 2.03 billion yen in grant-in-aid to Mongolia.

Kaifu leaves Tokyo on Saturday for a five-day official visit to China and Mongolia. He will stay in Beijing until Tuesday and in the Mongolian capital of Ulaanbaatar on Tuesday and Wednesday.

The yen loans will be given to China as part of 810 billion yen promised by former Prime Minister Noboru Takeshita for 1990-1995.

The yen loan package, however, was suspended following China's military crackdown on pro-democracy movements in Beijing in June 1989.

In November last year, Tokyo resumed its economic assistance to China in line with international moves to ease economic sanctions against Beijing.

Kaifu will also give 1.5 million dollars (some 202 million yen) in additional emergency aid in the wake of China's worst floods this century, which struck southern Chinese provinces from late June to mid-July and killed more than 2,000 people.

Kaifu, however, will stop short of extending 700 billion yen in loans requested by Beijing last May for energy projects on the grounds that a feasibility study for the programs is not yet complete.

Kaifu will be the first leader from major industrialized nations to visit China since the July 4 1989 Tiananmen Square killings.

Sakamoto Comments on Rights

OW0808103091 Tokyo KYODO in English 1008 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—Chief Cabinet Secretary Misoji Sakamoto said Thursday China's record on human rights has substantially improved since the 1989 Tiananmen Square crackdown.

Speaking on the eve of Prime Minister Toshiki Kaifu's visit to China, Sakamoto said China has advanced in implementing reforms.

He did not mention any specifics, and when asked for concrete examples of improvements in the area of human rights, Sakamoto replied "they are generally apparent ... Ask the Foreign Ministry."

Foreign Ministry officials in charge of Chinese affairs, busy preparing for the August 10-13 visit, were not available for comment.

Kaifu leaves for Beijing on Saturday, becoming the first leader of a major industrialized nation to visit China since the military suppression of pro-democracy demonstrators in the Beijing square.

Chinese dissidents living in Japan have said they do not welcome Kaifu's visit, and have petitioned the Japanese prime minister to bring up human rights issues in his talks with Chinese leaders.

Academician on Ties, Influence

OW0808123891 Tokyo KYODO in English 1206 GMT 8 Aug 91

[Text] Beijing, Aug. 8 (KYODO)—Japanese Emperor Akihito's visit to China could put an end to any lingering ill will between the two countries as a result of Japan's past occupation of China, a leading Chinese authority on Japan-China relations said Thursday.

Zhou Lihua, head of the Japanese Political Studies Section of the Chinese Academy of Social Sciences' Institute of Japan, made the remarks in an interview with KYODO news service prior to Prime Minister Toshiki Kaifu's visit to China on August 10-13.

Some government and political sources have expressed hope that Emperor Akihito could visit China next year to mark the 20th anniversary of the normalization of relations between the two countries. It would be the first visit to China by a Japanese emperor.

Zhou said Japan-China relations have recovered to the level they were at prior to the 1989 Tiananmen Square killings but Japan should now show the initiative among other nation's relations with China.

"Japan is still influenced by the United States and I'd like it to show leadership as it did at the recent summit of leaders of the advanced nations," Zhou said without elaborating.

Zhou said Beijing welcomes increasing Japanese investment in China but noted that the United States and Germany lead Japan in exchanges of technology with China.

Zhou also said that rather than raising the question of international inspections of North Korea's nuclear facilities on behalf of the U.S., Japan should demonstrate its independence and take a stand on the stability and economic development of the east Asian region.

On the question of Japan's dispatch of Maritime Self-Defense Force minesweepers to the Persian Gulf to help in clearing the waters of mines, Zhou said it could be seen as a move to appease the U.S. and warned that Japan will have to take the feelings of other Asian countries into account.

"One hopes that Japan will not become a country which sends its forces overseas," Zhou said.

The 58-year-old Zhou is a graduate of Beijing University's Oriental Languages and Literature Department.

From 1968 to 1981, he worked at the Academy of Military Sciences before taking up the present posting.

Zhou also spent two years from 1983 at the University of Tokyo as a guest researcher in international relations.

Toshiba To Establish New Company in PRC

OW0808145391 Tokyo KYODO in English 1036 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 (KYODO)—Toshiba Corp. said Thursday it will set up a new company in Dalian, China, in September to start production of electric components in April 1993.

Toshiba Dalian, to be capialized at 2.5 billion yen, will be owned 96 percent by Toshiba and the remainder by Mitsui and Co. and Showa Electric Wire and Cable Co.

About 4 billion yen is to go into investment costs until operations begin and another 6 billion yen in investment will be added later, company officials said.

The new company plans to turn out annually 400,000 small industrial motors, 1.5 million deflection yokes for use in color televisions, 1.6 million printed circuit boards for TV sets and one million delay lines, which synchronize the processing signals of electronics equipment, the officials said.

Most of the products will be exported to Japan, they said.

This is Toshiba's first direct investment in China, although it has supplied the country with assembly plants for such products as industrial integrated circuits (ICS) and color television sets.

Many major Japanese home appliance makers are advancing in China, among them such makers as Matsushita Electric Industrial Co. and Sanyo Electric Co.

Kuwaiti Envoy Denies Favoritism in Reconstruction

OW0808114391 Tokyo KYODO in English 0924 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 (KYODO)—Kuwait's ambassador to Japan said Thursday his government has no policy of excluding Japanese companies from helping reconstruct the emirate, despite previous statements priority would go to nations that militarily helped liberate the country from Iraqi occupation.

'Abd al-'aziz al-Sharekh said there has never been any official decision made against Japanese companies, adding they are shying away from seeking contracts in fear of U.S. criticism.

"It has everything to do with the domestic Japanese situation and the relationship between Japan and the U.S., and the sensitivity of the Japanese vis-a-vis the American press and the American congress," he said.

Al-Sharekh said Kuwait has "very high expectations" Japanese firms will play a major role in its reconstruction in the aftermath of the Persian Gulf war.

The ambassador, who recently returned from Kuwait, told reporters at the Japan National Press Club his country's leadership has assured him Japanese companies are welcome to compete for such projects.

He confirmed previous statements that priority would be given to countries directly involved in the war, but said it does not mean there is no room for Japanese firms.

"The job of reconstruction is so big that it would be enough to do both—to give priorities to these (coalition) countries and to allow the Japanese companies to have an ample opportunity to compete in the Kuwaiti market."

Al-Sharekh offered assurances "the majority of Kuwaitis understand and appreciate Japan's position and financial contributions during the Iraqi occupation of Kuwait."

On Japan being left out of a WASHINGTON POST advertisement thanking some 30 countries for their support in the Gulf war, al- Sharekh said the original ad was not sponsored by the Kuwaiti Government.

The envoy said the ad was backed "by a very enthusiastic group of citizens in Washington, who obtained the list of the allies who contributed to the military aspect of the liberation of Kuwait from the American Government." Al-Sharekh urged Japan and the world community "to continue and even escalate" economic sanctions against Iraq, saying "the problem of Iraq is not hunger or a shortage of food, the problem of Iraq is Saddam Husayn—once he disappears all the problems of Iraq are potentially solvable."

The envoy referred to the world community's puzzlement and dismay at the recent disclosures and confessions by Iraq of the scope of its program of manufacturing weapons of mass destruction.

"The long chain of cheatings and lies on the part of the Iraqi regime regarding its possession of such arms point very clearly to the very dangerous nature of such a regime," he said.

Romania's Nastase Optimistic on Territory Claims

OW0808000191 Tokyo KYODO in English 2347 GMT 7 Aug 91

[By Tim Johnson]

[Text] Tokyo, Aug. 8 KYODO—Romanian officials are optimistic that the Soviet Union will amicably settle its territorial disputes with Romania and Japan, said Romanian Foreign Minister Adrian Nastase .

Nastase, in an interview with KYODO NEWS SERVICE this week, did not link the two territorial disputes, but said a solution to each would improve ties with the Soviet Union.

"We think that Soviet-Japanese relations are very important for the new world order referred to by (U.S.) President (George) Bush, so I'm sure a positive settlement to this issue will be very helpful," Nastase said.

Japan claims four Soviet-occupied islands at the convergence of the North Pacific and the Sea of Okhotsk, which were seized by the Red Army at the end of World War II.

Romania has recently pronounced "null and void" a secret pact in 1940 between the Soviet Union and Nazi Germany under which Moscow annexed the Romanian territories of Bessarabia and Northern Bukovina.

Most of the acquired territory was turned into the Soviet Moldovan Republic, while Bessarabia's extreme north and south were incorporated into the Ukrainian Republic.

Romania also has implicitly called for the return of tiny Serpents' Island in the Black Sea. The Soviets appropriated the strategic, economically important isle between 1947 and 1950.

In April, on the eve of a historic visit to Japan, Soviet President Mikhail Gorbachev was quoted as telling Romanian leader Ion Iliescu that Moscow would "consider the claim (to Serpents' Island) in a spirit of good will."

While in Japan, Gorbachev for the first time officially recognized that there is a dispute with Tokyo about the four islands and agreed to accelerate negotiations on a bilateral peace treaty, which would entail a territorial settlement.

Nastase said the dispute over the 17-hectare Serpents' Island "might be solved even easier" than the dispute over what Japan refers to as its Northern Territories.

"Serpents' Island is not a problem of borders ... so this is a different situation," he said.

Nastase said that since Gorbachev's pledge in April, Bucharest has heard "no answer yet" from Moscow, though the issue has been raised several times with Soviet officials.

Some political analysts have suggested that if Moscow returns the Black Sea island, it could set a precedent for the larger Romanian- Soviet territorial issue.

"We see it as a test of a new way of approaching sensitive issues," Nastase said about the link between Romania's two territorial disputes with the Soviet Union.

"I think the Soviets, if they want to have a friendly nation on their border, have to take into account their worries, their wishes, and their expectations," he said.

Nastase said Romania is working to entice Soviet Moldova into the Romanian fold "without damaging the relations with the Soviets" by first pursuing a "cultural confederation," followed by an "economic confederation."

He suggested that later Moldova could achieve independence "on the Baltic model" and eventual reunification with Romania "on the German model."

A Japanese Foreign Ministry source said a Soviet territorial concession in Europe "could have a positive influence on our territorial issue."

France's Image Plummets Since Cresson Debut

OW0708175691 Tokyo KYODO in English 1254 GMT 7 Aug 91

[Text] Tokyo, Aug. 7 KYODO—French Prime Minister Edith Cresson's criticism of Japan has battered the traditionally favorable image of France in Japan, a private research organization reported Wednesday.

The Nippon Research Center said 45 percent of respondents who knew of Cresson's comments said they still like France, down from 59 percent in the previous survey held in December last year.

Of the 1,441 people surveyed in July, only 50 percent said they have read or heard of Cresson and about one-third replied they are aware of her criticism of Japan.

Of those aware of her comments, 51 percent agreed with Cresson's description of Japan as a country that engages in exlusive and protective trading practices, while 47 percent called it completely or somewhat incorrect, the agency said.

It said 66 percent of the respondents called totally unfounded her remark portraying Japan as an enemy trying to conquer the world, while 94 percent said they dislike the French premier.

Cresson has strongly criticised Japanese several times since taking office in May, including refering to them as "ants" and "another world that wants to conquer."

Symposium on U.S. Military Bases Held

OW0808022891 Naha NHK Radio in Japanese 2212 GMT 7 Aug 91

[Text] During a symposium on U.S. military bases held in Naha City yesterday, former director general of the Defense Agency [DA], Taku Yamazaki, quoted a U.S. Government official as saying U.S. forces will not be transferred to Okinawa with the closing down of Clark Air Base in the Philippines.

During yesterday's symposium, Taku Yamazaki, former DA director general and member of the House of Representatives, said that Armitage, chief negotiator for the U.S. side in the negotiations on U.S. bases in the Philippines, had told him that there would be no transfer of U.S. forces to Kadena Air Base in Okinawa with the closing down of the Clark Air Base. Yamazaki also said that the Japanese Government is working on a policy of not having Okinawa assume more responsibilities in addition to its existing functions.

Yamazaki's statement is taken as a negation of the possibility of the fighter aircraft of the 13th Air Wing, Pacific Air Force, stationed at the Clark Air Base being redeployed in Okinawa.

Mark David, deputy assistant secretary of defense for East Asian and Pacific affairs, said at an interview with NHK on 26 July that the transfer of forces and functions due to the closing of Clark Air Base is currently being studied. He disclosed that Okinawa was also being considered as one of the possible sites.

Regarding the redeployment of combat forces, Governor Ota has stated that, through his inquiries with U.S. military authorities, it seems that the possibility is quite slim. However, as to the various functions performed by Clark Air Base, these may have to be redistributed among the nearby bases. Okinawa may have to take up certain custodial responsibilities.

Further on Symposium

OW0808050091 Naha OKINAWA TIMES in Japanese 8 Aug 91 Morning Edition p 1

[Text] A "Base Symposium" on the U.S. bases in Okinawa after the collapse of the cold-war structure, sponsored by OKINAWA TIMES and ASAHI SHIMBUN to commemorate the 20th anniversary of Okinawa's reversion to Japanese administration, was held on the afternoon of 7 August at the Palette Citizens' Theatre in Kumoji, Naha City. Because there are not many symposiums in Okinawa discussing the local base issue from a global perspective, as well as other perspectives, along with the fact that Okinawa still suffers from the heavy burden of the bases even after reversion, people in the prefecture showed great interest in the symposium, which was packed with an audience of about 500 people. Governor Ota, Kazuhisa Ogawa (international military analyst), Akira Suzuki (former chief of the Facilities Department, Defense Facilities Administration Agency), Naoyoshi Sunagawa (secretary general of the Okinawa Prefecture Military Landowners Association), Yutaka Miyagi (vice president of the Okinawa Prefectural Management Association), and Taku Yamazaki (member of the House of Representatives and former director general of the Defense Agency) sat as panelists. Participants in the symposium listened eagerly to the experts' views and deliberated on the feasible course of effecting the return of bases and the utilization of returned sites.

The symposium started with opening remarks by Ryoichi Toyohira, managing director of OKINAWA TIMES. Minoru Matayoshi, OKINAWA TIMES chief commentator, and Kiyotomi Nakama, ASAHI SHIMBUN deputy chief commentator acted as moderators for the discussions on: 1) prospects of the world military situation; 2) the role of Okinawa; 3) the approach to return of the bases; and 4) the utilization of returned land.

Governor Ota stated that "U.S. military bases in Okinawa have a different meaning and significance from those on mainland Japan." He added that "the Japan-U.S. Security Treaty thrives upon the sacrifice of one sector of the people; if the Security Treaty is that important, then let the Japanese people as a whole share its responsibility," thereby expressing Okinawans' resentment. He applealed for the need to change the Security Treaty into a treaty of peace and friendship.

Ota also expressed his determination to work for the legislation of the Law on Measures to Utilize Military Land (tentative title) in order to eliminate the landowners' anxiety.

Ogawa presented his analysis of U.S. military strategy and explained why the United States attaches more importance to U.S. forces in Japan than to those in South Korea and the Philippines. He then pointed out that U.S. forces in Okinawa are, in turn, the mainstay of U.S. Forces Japan. He asserted that the base issue should be viewed from this standpoint.

Suzuki discussed the return of bases, and cited the reluctance of landowners as one reason why the process of return has been slow. He said that from the standpoint of the government, "There is no other way than to steadily effect the materialization of agreements on the return of facilities." He maintained that the main points of the problem are: the difficulty of reaching a consensus among the landowners, and implementing the agreements.

Sunagawa claimed that "the utilization of returned land should also be considered when dealing with the consolidation and retrenchment of the bases." He said that the government must take the position of the landowners into consideration, and that "the landowners heartily hope for this." He thus expressed strong expectation on measures to eliminate the landowners' anxiety.

On the other hand, Miyagi elaborated his concept of building an industrial district for high-technology industries on returned base lands and demonstrating Okinawa's identity as the Mecca of peace to people inside and outside Japan in the way of utilizing returned military land.

Lastly, Yamazaki expressed his view that there will be a time lag for the new trend in the military situation (relaxation of tension) to come to Asia and the Pacific." As to the bases in Okinawa, "the government, as a policy, is working hard in this regard." He showed a positive attitude.

Team To Assist Moscow Copy POW Records

OW0808081191 Tokyo KYODO in English 0710 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—The Health and Welfare Ministry said Thursday it will dispatch a team to Moscow next year to assist in copying the files of Japanese prisoners of war stored at the Soviet national archives.

Officials in charge of translating and preparing records of the 38,000 Japanese POW's handed over by Soviet authorities this spring during the visit of Soviet President Mikhail Gorbachev have found what are likely to be errors and duplications.

After learning the Soviet archives may hold files on some 500,000 prisoners from World War II, the ministry asked to check the records of the 38,000 names they have against the archives records.

Soviet officials said the process could take "seven or eight years" since there are no photocopiers, and staff is insufficient.

The ministry decided to dispatch the team during the next fiscal year in order to assist progress with the project.

The team plans to use the two photocopiers presented to the Soviet Union by Foreign Minister Taro Nakayama during a visit there this spring.

An estimated 600,000 Japanese from invading forces were taken prisoner by the Soviets at the end of World War II and 60,000 of them died while detained in Siberian POW camps.

More Reportage on Securities Industry Scandal

Kaifu Promises Measures

OW0708145591 Tokyo KYODO in English 0902 GMT 7 Aug 91

[Text] Tokyo, Aug. 7 (KYODO)—Prime Minister Toshiki Kaifu said Wednesday that the government will take "appropriate" measures to prevent companies and individual investors from receiving unfair compensation from securities firms for investment losses.

But, except for saying the government will propose revision of the Securities and Exchange Law to ban such reimbursement, Kaifu offered no specifics.

Kaifu was answering questions from Social Democratic Party (SDP) Chairman Makoto Tanabe, ruling Liberal Democratic Party (LDP) Policy Affairs Research

Council Chairman Mutsuki Kato, and Komeito Chairman Koshiro Ishida in a plenary session of the House of Representatives.

Japan's 17 largest brokerage houses have said that they paid 172 billion yen to a total of 608 organizations and nine individuals—all large investors—between October 1987 and March 1990 to cover their stock and bond market losses. No small investors are known to have received such reimbursements.

The prime minister said the government will submit its revision of the Securities and Exchange Law to ban such reimbursements and other unfair practices to the current extraordinary Diet session.

Asked by Tanabe whether the government will set up an independent body similar to the U.S. Securities and Exchange Commission (SEC) to police the securities industry, Kaifu said only that the government will ask the ad hoc commission on administrative reform, an advisory body for the prime minister, to study ways of supervising brokerage houses.

Kaifu added that the Finance Ministry has also set up a team to study ways of supervising the firms.

Replying to another question from Tanabe, Kaifu said the government deeply regrets the companies' actions and the damage they have caused to the firms' credibility among investors.

Referring to proposals to set up an ad hoc securities committee in the Diet and to summon senior securities executives to testify during the current Diet session, Kaifu indicated the government would go along with any agreement that might be reached between the LDP and opposition parties.

Finance Minister Ryutaro Hashimoto, fielding questions after Kaifu, blamed the scandal on what he called Japan's unclear rules on stock transactions.

The current Securities and Exchange Law prohibits making advance promises of reimbursement for investment losses, but it has not imposed any legal punishments on securities firms doing so.

The Finance Ministry has issued a directive banning brokerages from compensating investors for investment losses without such a promise.

Hashimoto, giving no reason, said the Finance Ministry had not been able to keep an accurate check on the securities companies. He added that Japanese investors must realize that trading in stocks entails both profits and losses.

He admitted an opposition claim that the Finance Ministry has given priority to protecting and nurturing securities companies rather than supervising them.

Hashimoto said he will take stern measures on the employment of retired senior Finance Ministry officials by securities firms, a practice known as "amakudari" or descent from heaven.

He said the ministry will make every effort to restore fair securities practices through tougher new laws.

Turning to U.N. peacekeeping operations, Kaifu said the government is planning to submit to the current Diet session a bill allowing Japan to make a contribution.

He said Japan does not intend to participate in U.N. peacekeeping forces if they might be involved into combat. But Kaifu did not specify what role he does have in mind, except to call it a "positive" one.

Kaifu said the government will also propose a revised law allowing Japan to dispatch its Self-Defense Forces to foreign disaster areas.

On political reform, Ishida expressed Komeito's opposition to the government proposal for single-seat constituencies combined with a proportional representation system.

Ishida said the government proposal would not create a system encouraging regular changes of government, ending the LDP's over- three-decade-long monopoly on power.

Kaifu countered that the proposal accurately reflects the opinions of Japanese voters and political parties.

Kaifu, Hashimoto on Issues

OW0808055191 Tokyo KYODO in English 0540 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—Finance Minister Ryutaro Hashimoto Thursday condemned the banking industry's pursuit of profits for triggering unbridled speculative deals that bolstered real estate and stock prices.

Fielding an opposition party member's question at the House of Councillors' Plenary Session, Hashimoto said, "the banks' business policy of placing excessive priority on profiteering led to increased loans to finance speculative real estate deals and the 'Zaitech' portfolio investment boom."

"Banks should engage in business operations with the awareness of their social responsibility," he said.

He also said that the government's accommodative money policy, which cut the official discount rate to a historic low of 2.5 percent, "gave fuel to competitition among banks to scramble to lend to clients who can ensure banks' high profitability" through stock and land speculation.

Hashimoto was replying to interpellator Manso Hamamoto, chairman of the Social Democratic Party's

Diet Affairs Committee. Hamamoto criticized the monetary policy under former Prime Minister Yasuhiro Nakasone for starting the "bubble economy," in which low interest rates and a big money supply fueled sharp rises in land and stock prices.

"After the Bank of Japan reduced the discount rate to 2.5 percent (in February 1987), the banking industry was turned into a forum for shadowy financing where even organized crime syndicates could raise funds" for financing real estate speculation, Hamamoto said.

He rapped the government's laxness toward speculation, saying, "in those days of an easy monetary policy, the government issued an official economic report in which it boasted of the creation of huge capital gains whose size can correspond with the size of Japan's gross national product." Japan's Gross National Product (GNP) is about 390 trillion yen a year.

Japan's discount rate has been raised to 5.5 percent, after Bank of Japan Governor Yasushi Mieno splashed cold water on speculation by repeatedly warning financial institutions against financing speculative land deals.

Hashimoto pledged to "strictly instruct the banking industry to strengthen in-house checking mechanism" to clamp down on financing of speculative real estate and portfolio-related loans.

Prime Minister Toshiki Kaifu also pledged to strengthen the regulatory provisions of the securities and exchange law, through such measures as outlawing loss-covering by brokerage houses. Under the current law, a brokerage house may not promise to compensate losses. Reimbursement that is not previously promised, however, is not illegal, although it is banned by a nonbinding Finance Ministry directive.

Hashimoto said he believes the reimbursements occured because brokerage houses were tempted to "cover the losses of their major clients in order to maintain business relations with the clients." Hashimoto said he will try to reduce the intensive competition among brokerages for earn huge underwriting commissions earned by being lead manager of new equity issues.

On the banking fraud scandal involving Fuji, Tokai, and Kyowa Saitama banks, Hamamoto charged that not only the banks' middle managers but top managers should be held responsible for fabricated deposit receipts that were used as phony collateral to help clients to secure loans from non-bank financial institutions.

Fuji Bank earlier fired three middle managers, including Minoru Nakamura, who allegedly forged deposit receipts worth 260 billion yen to help 23 corporate clients and two of Hashimoto's friends obtain loans.

Hamamoto's Diet questioning came apparently in response to Nakamura's allegations that his superiors were aware of the fabricated deposit receipts.

The Prime Minister also vowed to "do his utmost" to revive public trust in the integrity of the Japanese financial markets, which has faltered since the scandals broke.

In reply to another Diet interpellator from the Social Democratic Party, Hashimoto said that several more smaller brokerage houses have voluntarily reported compensating favored clients for losses, in addition to the reimbursement cases already reported by the nation's 17 larger brokerages.

Hamamoto turned to diplomatic issues to question the propriety of economic assistance to China and Myanmar [Burma] under Japan's Official Development Assistance (ODA) program.

He lashed out at aid to the two nations as being unjustifiable in view of Japan's policy of banning economic aid to countries where human rights are suppressed and arms exports remain unabated.

He urged Kaifu to reconsider the ODA flow to the two nations because they continue to detain thousands of prisoners of conscience.

Kaifu replied that Japan formulated the four-point policy earlier this year out of concern about arms exports that can disrupt world peace by contributing to regional conflicts.

"Japan may consider reducing its economic aid to nations which refuse to improve their human rights records even after Japan advises such nations to ensure the protection of civil rights," he said.

"However, we have to make sure that such recipient countries will not perceive Japan's advice (on human rights record) as an attempt to meddle in the internal affairs of the countries," he said.

SEC-Like Mechanism Urged

OW0708185291 Tokyo KYODO in English 1144 GMT 7 Aug 91

[Text] Tokyo, Aug. 7 KYODO—A senior Foreign Ministry official said Wednesday that Japan should create a mechanism modeled after the U.S. Securities and Exchange Commission to prevent financial scandals.

The official, who declined to be named, said at a news conference that it is natural for Japan to receive foreign criticism for the recent scandal involving brokerages, as Tokyo is one of the world's major financial centers, along with New York and London.

The official said it is clear that someone is opposing the creation of a Japanese version of the SEC.

He did not elaborate, but observers said the official's remark was directed at the Finance Ministry, which reportedly is opposed to the establishment of a Japanese version of the SEC.

Major- and medium-ranking brokerage houses, including Japan's big four securities firms, were criticized at home and abroad for reimbursing billions of yen to favored clients for investment losses.

Some Firms 'Unaware' of Payouts

OW0808061291 Tokyo KYODO in English 0600 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—Of the companies reported to have received compensation for investment losses from securities firms, 30 percent became aware of the payouts after the list of favored clients was announced, an official at the Ministry of International Trade and Industry said Thursday.

Kosuke Yamamoto, director general of the Industrial Policy Bureau, said a survey of some favored clients with replies from 170 companies showed that none knew of the compensation in the beginning.

According to the survey, 10 percent of the companies said that what they received were profits and not compensation, while another 10 percent said they do not recognize receiving compensation. The remaining 50 percent said they are still investigating the matter.

"It is important that companies also thoroughly hold to the principle of self-responsibilty," Yamamoto said.

The official was speaking at a joint meeting of the Liberal Democratic Party's Financial Commissions held to solicit opinions from the four main economic organizations and six ministries on ways to prevent repeats of the recent loss-compensation scandals.

A representative of the economic organizations urged the government to take prevention measures and to strengthen the surveillance system of the securities markets.

He also said, "we must establish a corporate ethic, and clarify the principle that investors must take the risks involved in making their investments."

Kaifu Responsibility Hinted

OW0808093191 Tokyo KYODO in English 0900 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—A senior official of the ruling Liberal Democratic Party [LDP] said Thursday that Prime Minister Toshiki Kaifu may have to share the responsibility if Finance Minister Ryutaro Hashimoto resigns over the current Fuji Bank and stock scandals.

Hiroshi Mitsuzuka, former chairman of the LDP Policy Affairs Research Council, suggested in an exclusive interview with KYODO NEWS SERVICE Hashimoto will resign as finance minister during the current session of the Diet.

Mitsuzuka also indicated Kaifu may not be immune from attack from within his own party over the involvement of a private secretary of Hashimoto in illegal loan transactions involving Fuji Bank.

"He wouldn't be exempt," Mitsuzuka said. "Hashimoto in reality ranks as a most important member of the cabinet equivalent to deputy prime minister and supports the Kaifu administration and in a sense they are in it together.

"If you say the finance minister is the finance minister and the top (prime minister) is the top, that still leaves problems unresolved."

Asked if the problem would lead to a mass resignation of the cabinet, Mitsuzuka said it was up to the prime minister to decide as head of the cabinet.

Mitsuzuka said he thought Hashimoto would make a decision in his own time.

"He's got a strong sense of responsibility and I think at heart he's probably having a really hard time," Mitsuzuka said.

He also hinted that Hashimoto might postpone running for the party presidency, the post which automatically means the prime ministership.

"He's a very proud man, so if he steps down, he will probably say he wants to keep to himself for a while," Mitsuzuka said. "He's a man who, if he behaves himself, in two to four years time should have good prospects."

Bank To Check Internal Controls

OW0708163391 Tokyo KYODO in English 1058 GMT 7 Aug 91

[Text] Tokyo, Aug. 7 KYODO—The Bank of Japan [BOJ] will look into internal administrative controls at commercial banks to prevent a recurrence of recent loan-fraud cases during its regular inspections of the banks, sources at the central bank said Wednesday.

They said the BOJ already told its branches to give priority to internal controls in inspecting banks so as to find whether risks involved in deposit-taking and the issuance of related certificates are appropriately managed.

The instruction came in the wake of the recent disclosure of loan-fraud cases involving Fuji, Tokai, and Kyowa Saitama banks in which fake deposit certificates were provided to customers to use as collateral in borrowing money from other financial institutions.

Under the central bank's new inspection policy, BOJ inspectors will try to determine whether the issuance of deposit certificates and other important documents is double-checked by more than one bank employee, the sources said.

The inspectors will also check branch managers' supervision over branch staff authorized to do certain business deals, special deals suspected of being fraudulent, and problems with customers not reported to banks' headquarters, according to the sources.

Law Revision Sought

OW0708172091 Tokyo KYODO in English 1227 GMT 7 Aug 91

[Text] Tokyo, Aug. 7 KYODO—The Finance Ministry will seek a revision of a law governing securities deals to ban brokers' payment of compensation for investment losses and receipt of compensation by their clients and to make offenders subject to tough penalties, ministry sources said Wednesday.

Under the revised securities and exchange law, offenders could face a prison term of up to three years or penalties of up to three million yen, the sources said.

Promising to cover clients' investment losses is against the existing law, and compensating them later without making a promise is not, but violates a December 1989 Finance Ministry directive.

The sources said they plan to submit their proposals for such a revision to a scheduled August 23 cabinet meeting for approval. If approved, the proposals would be sent to the current extraordinary session of the Diet, which ends on October 4.

The proposals also call for prohibiting discretionary securities accounts, which have been cited as a major factor behind recent brokerage payout scandals involving a number of blue-chip corporations.

The Finance Ministry also intends to carry out a sweeping revision of the law and draft related proposals for presentation to the next ordinary session of the diet, which will be convened in late December.

Such proposals, the sources said, aim to bring various directives issued to brokerage houses into legislation and raise penalties substantially against corporations that break the law.

Such directives have been criticized for making government regulations opaque and creating cozy ties between regulators and brokerage houses. Under the present law, penalties against corporate offenders are generally set below those against individual violators.

In a related development, a senior Finance Ministry official disclosed plans to set up a new department within the ministry to supervise the securities industry with the aim of preventing a recurrence of the brokerage payout scandals.

Outlining the idea, the official said the new department, provisionally called the "Inspection Department," would be created by integrating inspection sections at the bureaus of securities, banking, and international finance.

The official, who asked not to be named, said the new department would not have the legal authority to investigate and summon witnesses in the way the U.S. Securities and Exchange Commission (SEC) can.

The idea came amid growing calls from business and some government leaders for forming an independent watchdog body similar to the SEC, as the brokerage scandals have spawned criticism of cozy ties between the ministry and securities companies.

The ministry has opposed setting up an independent agency, citing difficulties in finding necessary personnel, cordinating job fields with prosecutors, and the large amount of money needed for creating such a body.

Finance Minister Ryutaro Hashimoto also has said a Japanese version of the SEC would not fit Japan's securities industry as brokerages do their business here under a license system unlike the registration system used in the United States.

Panel Advises Reform

OW0708172391 Tokyo KYODO in English 1413 GMT 7 Aug 91

[Text] Tokyo, Aug. 7 KYODO—An advisory panel to the prime minister agreed Wednesday to make a drastic reform of securities industry administration to prevent a recurrence of brokerage scandals, officials said.

The officials said the reform will include reviewing the licence system in the securities industry.

Eiji Suzuki, chairman of the ad hoc Council for the Promotion of Administrative Reform, told reporters after a general session of the panel there is a need to study a registration or licence system such as that in the U.S. securities industry.

During the meeting, however, the heads of the Japan Securities Dealers Association and the Tokyo Stock Exchange (TSE) both expressed their reluctance to establish a watchdog organization like the U.S. Securities and Exchange Commission (SEC), claiming it would not be well suited to Japan.

The officials said the ad hoc panel agreed to continue discussing a watchdog body as a medium and long-term issue.

The panel also agreed to make an emergency proposal on the issue at the end of August when the Finance Ministry submits a bill to revise the Securities and Exchange Law and to review the inspection system of the industry within the ministry.

The Securities and Exchange Law only bans brokerages from promising in advance to compensate clients in case of losses, not from actually compensating them, the officials said.

Nomura, Nikko To Apologize

OW0808114591 Tokyo KYODO in English 0906 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 (KYODO)—Nomura Securities Co. and Nikko Securities Co. are sending a total of six million letters of apology to their corporate and individual clients to express regret over the recent series of scandals, company officials said Thursday.

The letters, unprecedented in the securities industry, are being mailed or hand-delivered by company representatives.

Japan's "Big Four" stock brokerages—Nomura, Nikko, Daiwa , and Yamaichi Securities Companies—earlier apologized for their misconduct in newspaper advertisements.

Nomura and Nikko said, however, their advertisements and apologies expressed by their top officials at press conferences were not enough to convey the depth of their regrets.

Daiwa said it is sending similar letters to its clients, while Yamaichi said it is considering such action.

All four brokerages have compensated selected clients for investment losses, and Nomura and Nikko have had ties with organized crime figures.

Nomura's letter of apology is being sent in the name of President Hideo Sakamaki to all customers who have accounts with the company.

It expresses deep apology for the scandals involving the company and promises never to repeat similar misconduct.

Nikko said it is trying to hand-deliver its letter of apology, similar in content to Nomura's letter, as much as possible.

Diet Scrutinizes 'Bubble Economy' of 1980s

OW0808124191 Tokyo KYODO in English 1011 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 (KYODO)—Japan's speculative "bubble" economy of the late 1980s came under intensive parliamentary scrutiny and criticism Thursday for laying an economic groundwork for the rapidly unfolding stock market and banking scandals.

Prime Minister Toshiki Kaifu told a House of Representatives' plenary session, "the bubble economy was sparked by the accommodative monetary policy adopted since 1985. The attitude of brokerages in pursuing profits by taking advantage of the easy money policy combined with corporate clients' attitudes of averting responsibility for investment losses in exasperating the situation."

The "bubble economy" refers to the economic practices of the late 1980s, in which extremely low interest rates and high money supply fueled rapid rises in land and securities prices by providing speculators with low-interest bank loans to fund their speculative purchases.

Kaifu made the remarks in response to Japanese Communist Party Chairman Tetsuzo Fuwa, who joined other political party questioners in criticizing the bubble economy and the government's easy monetary policy of the time.

Fuwa rapped the stimulative economic policy of the late 1980s for disseminating the seeds of the flare-up in land and stock speculation, while condemning the lack of any official clampdown on speculators.

"The bubble economy bolstered land prices nationwide and caused serious suffering to many citizens by depriving them of any chance of affording to buy houses, while spawning the causes of the current scandals and benefitting many firms engaged in speculation," Fuwa said.

The government must recognize its responsibility in creating the bubble economy, as it lowered the official discount rate to an historic low of 2.5 percent and relaxed accounting rules for capital gains generated by "eigyo tokkin" money trusts, which are at the center of the current stock market scandal, Fuwa said.

"Eigyo tokkin" is a kind of money trust in which huge amounts of corporate money are traded as discretionary funds by brokerages who make investment decisions without consulting the investors who entrusted the funds to them.

Brokerages, who vied intensively with each other to draw clients for their "eigyo tokkin" trusts, are now under fire for implicitly promising in advance to reimburse clients for possible investment losses in breach of the Securities and Exchange Law.

Finance Minister Ryutaro Hashimoto also admitted at the Diet session that the government's accommodative monetary policy of the late 1980s "fueled competition among banks to lend to clients" who could ensure great profits for the banks by speculating in the real estate and portfolio markets.

Hashimoto, now under fire for one of his own aide's involvement in the Fuji Bank loan fraud scandal, also slammed the banking industry's pursuit of profits for triggering unbridled speculative deals that bolstered property and stock prices.

Fielding a question by the Social Democratic Party's Manso Hamamoto, Hashimoto said, "the banks' policy of placing excessive priority on profiteering led to increased loans to finance the speculative real estate and 'Itech' portfolio investment boom."

"Banks should engage in business operations with an awareness of their social responsibility," he said.

He criticized the continuous easy money policy under the administration of former Prime Minister Yasuhiro Nakasone, saying, "after the government reduced its official discount rate to 2.5 percent, the banking industry was turned into a forum for shadowy financing where even (firms affiliated with) organized crime syndicates could raise funds" to finance real estate and stock speculations.

Bank of Japan Governor Yasushi Mieno, who took over the post from Satoshi Sumita, cracked down on speculators by raising the key lending rate charged on its loans to financial institutions, while repeatedly issuing warnings to the institutions against funding speculative land deals.

Hashimoto repeatedly bowed his head in a gesture of repentance from the Diet podium for his former aide Toyoki Kobayashi's involvement in the Fuji Bank scandal. Kobayashi had asked Minoru Nakamura, a former middle manager of the bank's Akasaka Branch to extend 1.27 billion yen in loans to two of Hashimoto's close acquaintances and a company president.

Nakamura is now undergoing police questioning in connection with allegations that he and the bank's other two middle managers falsified deposit certificates worth 260 billion yen for 23 corporate clients and the three introduced by Kobayashi.

The corporate clients, many of whom were allegedly entangled in speculative land deals, were found to have used the phony deposit certificates to obtain loans from nonbank financial institutions.

Hashimoto said, "I expect police will uncover the whole truth of the fraud, now that the case is under investigation."

"Although there was no way my secretary knew that the bank's Customer Division Section chief (Nakamura) was engaging in unlawful loan schemes, it was improper that he introduced the three to (Nakamura)," he said.

Kobayashi, who was the top secretary at Hashimoto's Tokyo office, earlier denied he received any kickbacks in return for introducing the three to Nakamura.

Both Kaifu and Hashimoto remained noncommittal with opposition demands that former Nomura Securities Co. Chairman Setsuya Tabuchi and other key witnesses be summoned to testify before the Diet as sworn witnesses.

Tabuchi earlier told reporters he is "ready to speak the whole truth" about the stock market scandal.

The SDP's Hamamoto denounced the ruling Liberal Democratic Party (LDP) for continuing to block opposition attempts to uncover the whole truth regarding the financial scandals by hearing testimonies from Tabuchi and other witnesses.

MITI To Promote Foreign Investments at Home

OW0808145191 Tokyo KYODO in English 0949 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 (KYODO)—The Ministry of International Trade and Industry (MITI) will set up a council for promotion of foreign investment at each of its eight regional bureaus throughout Japan starting in April 1992, MITI officials said Thursday.

The council is intended to promote foreign investment in Japan's outlying areas since sky-high land prices in Tokyo and its environs are impeding such investment, the officials said.

The council will be established at all regional bureaus of the ministry throughout the country.

Officials of the regional bureaus, local autonomies in charge of foreign investment, major industries, and local economic associations are expected to attend council meetings to discuss the siting of foreign-owned companies and the improvement of infrastructure for them, among other things.

The MITI is promoting foreign investment to correct Japan's massive investment imbalance. Japan's overseas investment exceeds foreign investment in Japan by about 20 to one.

The officials said foreign companies entering the Japanese market will also help increase Japan's imports of raw materials and reduce its trade surplus.

Corporations Withdraw From Money Trusts

OW0808122091 Tokyo KYODO in English 0847 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 (KYODO)—Corporations, discouraged by dim prospects for the stock market, are withdrawing money from "tokkin," or specified money trusts, and other investment trusts, a group of trust companies said Thursday.

According to data compiled by the trust companies association of Japan, net assets of such investment trusts shrank by more than 5 trillion yen at the end of June from the previous year's levels, a sign that these financial vehicles intended for corporate investors are losing their appeal owing to the stock market slump.

The data, covering 17 investment trust companies, showed net assets of tokkin funds stood at 10,707.7 billion yen at the end of June, down 2,174.5 billion yen from a year earlier.

Net assets of other investment trusts were also down drastically, dwindling 3,152 billion yen to 28,696.6 billion yen, the data showed, bringing net assets of all investment trusts down 5,326.5 billion yen.

Assessing the latest data, an association official warned the shift of funds from investment trusts would accelerate because investor confidence in the stock market has been lost in the wake of recent brokerage payout scandals.

Assets of investment trusts, managed by trust companies on behalf of corporate investors with the principal sum not secured, mostly invest in stocks and other securities.

In contrast, net assets of money trusts, chiefly targeted at individual investors with the principal sum secured, grew by 4,912.7 billion yen, standing at 48,917.9 billion yen at the end of June.

Unlike investment trusts, the assets of money trusts are invested in loans to corporations and discount bills, meaning that they are free of the risks involved in stock investment.

Nippon Steel Announces Price Increase

OW0808142391 Tokyo KYODO in English 1212 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 (KYODO)—Nissan Motor Co. said Thursday the firm has agreed with Nippon Steel Corp. on the size and date of a price increase for steel sheets.

The No. 2 Japanese automaker would not say how much it has agreed to pay. But industry sources said Nissan probably agreed with the nation's top steelmaker on an average increase of 4.5 percent or about 4,500 yen per ton, effective with October 1 shipments.

This would be about the same as the increase earlier agreed upon by Nippon Steel and the top Japanese automaker, Toyota Motor Corp., the sources said.

Nippon Steel notified Toyota, Nissan, and other automakers in April of an average 5 percent price increase, starting with July 1 shipments.

Nissan Motor, suffering from a recent slowdown in domestic sales and in some overseas operations, raised strong objections to the price increase.

Hotta Textile in Trouble Over BCCI Deposit

OW0808113691 Tokyo KYODO in English 1110 GMT 8 Aug 91

[Text] Tokyo, Aug. 8 KYODO—Hotta Textile Industry Co., listed on the Tokyo Stock Exchange's second section, said Thursday it is seeking financial help to tide over difficulties over a 2.5 billion yen deposit it made with the Tokyo branch of the now insolvent Bank of Credit and Commerce International (BCCI).

Susumu Takarada, executive director of the fancy yarn manufacturer, told reporters the deposit is irrecoverable.

The company, based in Ashikaga, Tochigi Prefecture, is selling company assets and seeking financial help from banks and affiliated companies, Takarada said.

The Tokyo District Court is taking liquidation proceedings against the closed Tokyo branch of the BCCI, which is controlled from Abu Dhabi, and based in Luxembourg.

Takarada said the company started making deposits with the BCCI in November 1989 because it offered higher interest rates than Japanese banks.

Last April, Hotta deposited 2.5 billion yen in a large-lot time deposit account with the BCCI's Tokyo branch on loans from Japanese banks, expecting to repay the debts at maturity in September.

North Korea

NODONG SINMUN Discusses Denuclearization

SK0808103891 Pyongyang KCNA in English 1000 GMT 8 Aug 91

["Denuclearization of the Korean peninsula Is Matured Demand of the Times"—KCNA headline]

[Text] Pyongyang August 8 (KCNA)—If the danger of nuclear war is to be removed from the Korean peninsula and sure guarantee of peace be secured there, it is necessary to get the U.S. troops and nuclear arms withdrawn from South Korea and turn the Korean peninsula into a nuclear-free zone, says NODONG SINMUN today in a signed article titled "Denuclearisation of the Korean Peninsula Is Matured Demand of the Times".

The article says:

Turning the Korean peninsula into a nuclear-free, peace zone is a vital demand of our nation.

As along as there exist nuclear arms in South Korea, our nation cannot live in peace even for a moment, and if a nuclear war breaks out in the Korean peninsula, our people in the North and the South will be the first to suffer the most horrible disasters.

That is why the South Korean people of all walks of life as well as the people in the North regard it as the most important matter related to the survival of the nation to ward off the danger of nuclear war on the Korean peninsula and are fighting for the settlement of this problem.

Removing the danger of nuclear war from the Korean peninsula and achieving a durable peace there is the common desire and demand of the world people as well, the article notes, and continues:

It is clear to anyone that if another war breaks out on the Korean peninsula, with a large number of nuclear weapons deployed in South Korea, it will immediately turn into a nuclear war and further, its flames will quickly spread beyond the boundary of Korea.

If the Korean peninsula is to be denuclearised, the North and South of Korea should agree upon this and jointly declare it, and the United States and nuclear weapon states around the Korean peninsula should legally guarantee the position of the Korean peninsula as a nuclear-free zone once an agreement is reached and declared as such.

The government of our Republic has already put forward a proposal for the denuclearisation of the Korean peninsula and solemnly declared at home and abroad that it is ready to take all necessary steps for its realisation. Now it depends on the attitude of the United States and the South Korean authorities.

If the United States and the South Korean authorities make a disinterested approach to our peace initiatives and join in our sincere efforts for the conversion of the Korean peninsula into a nuclear-free zone and in the current of the times, the danger of nuclear war can be rooted out from the Korean peninsula.

Working People Denounce South Labor Suppression

*SK0308053191 Pyongyang KCNA in English
0449 GMT 8 Aug 91*

[Text] Pyongyang August 8 (KCNA)—Working people in Pyongyang held a meeting on August 7 and vehemently denounced the South Korean military fascist clique for brutally suppressing the struggle of workers for vital rights and democratic freedom.

Chairman of the Pyongyang Municipal Trade Union Committee Yi Chu-hyon and other speakers at the meeting said indignantly that innocent workers and unionists who demand vital rights and democracy, falling victims to the fascist "security-oriented rule" of the No Tae-u ruling group, shed blood and are arrested, tortured and killed.

The ruling group's attempts to stifle the labour movement find glaring manifestation in the crackdown upon the leaders and core members of Chonnohyop [National Council of Labor Unions], the solidarity council and other trade union organizations, the speakers said, and went on:

As long as the U.S. imperialists' colonial enslavement policy and the puppet clique's fascist repressive rule continue, the South Korean workers can never extricate themselves from the miserable lot of colonial slaves nor lead an independent and creative labour life.

In order to lead an independent and creative labour life, the South Korean workers should put an end to the colonial rule of the U.S. imperialists and the "security-oriented rule" of the military fascist clique and achieve social independence and democracy and national reunification.

The South Korean workers should wage a vigorous anti-U.S. struggle to get the U.S. troops and nuclear weapons withdrawn and fight for smashing the fascist "security-oriented rule" of the puppet clique, for the unconditional release of Rev. Mun Ik-hwan, student Yim Su-kyong and other visitors to the North and pro-reunification democrats and for the abrogation of all fascist laws.

KCNA Interviews Consolatory Team Spokesman

*SK0708112091 Pyongyang KCNA in English
1024 GMT 7 Aug 91*

[Text] Pyongyang August 7 (KCNA)—The spokesman of the consolatory team of different circles of personages for the Rev. Mun Ik-hwan, woman student Yim Sukyong and other pro-reunification patriotic figures was interviewed by a KCNA reporter this morning when the South side refused to accept the offer of a working-level contact between the two sides in Panmunjom at 10:00 today to discuss matters related to a visit to South Korea by the team along with the consolatory team of school youth and children, beginning August 10.

He told the reporter that the consolatory team decided to go over to South Korea through Panmunjom to console Rev. Mun and coed Yim and other pro-reunification patriotic figures who are suffering in prison, carrying the fervent desire of the people of all strata in the northern half of the country for reunification and, to this end, proposed to hold a working-level contact between the sides in Panmunjom at 10:00 today, but the South side refused it and did not send even a reply.

He vehemently denounced, in the name of all the fellow countrymen, the South Korean authorities who had blocked the way of the consolatory team of school youth and children to the South some time ago and today dropped the checkbar across the way of the joint consolatory team.

The South Korean authorities must not give the cold shoulder to our noble humanitarianism and love of the nation but open the tightly closed Panmunjom door to the South at an early date and, at the same time, manifest its readiness to ensure all conveniences and personal safety for our joint consolatory team to go and console them in South Korea, and must promptly abolish all the fascist laws including the "national security law" which hampers free travels and debates on reunification in South Korea, he demanded, and declared: Our joint consolatory team will go through Panmunjom to South Korea at 10:00 August 10 to console pro-reunification patriotic figures on all accounts.

Dead Body of South Korean Returned at Panmunjom

*SK0808044891 Pyongyang KCNA in English
0428 GMT 8 Aug 91*

["Our Side Delivers Dead Body to Enemy Side" — KCNA headline]

[Text] Panmunjom August 8 (KCNA)—The 505th meeting of secretaries of the Military Armistice Commission was held today at Panmunjom.

At the meeting our side from a humanitarian stand transferred to the enemy's side the body of a male who was found on the seashore in Kumsan-ri, Paechon County, South Hwanghae Province, at around 16 [as received] on July 29 and identified as a South Korean.

Contest for Yim Su-kyong Literary Prize in South

SK0708111091 Pyongyang KCNA in English 1020 GMT 7 Aug 91

[Text] Pyongyang August 7 (KCNA)—The General Student Council of University of Foreign Studies in Seoul, the alma mater of student Yim Su-kyong, the "flower of reunification," has begun a contest for "Yim Su-kyong reunification literary prize" which will conclude in October, according to a report.

In a public notice carried in the August issue of the monthly magazine MAL, the General Student Council defined poems, novels, literary and art science, diaries, letters, travel notes as works for the contest and clarified that everybody is qualified to participate in the contest and joint creation is encouraged.

The contest is supported by the Coalition for National Democratic Movement, the National Council of Trade Unions, the National General Federation of Peasants' Associations, the National Teachers' Union, the Association for Supporting Yim Su-kyong and the National Council of Student Representatives and the Rev. Mun Ik-hwan is chairman of the jury, the notice said.

This is the third contest.

Daily Analyst on U.S. Troop Pullout From South

SK0808045391 Pyongyang KCNA in English 0434 GMT 8 Aug 91

[Text] Pyongyang August 8 (KCNA)—The South Korean "foreign minister" said, a few days ago, that U.S. troop pullout from South Korea is a question to be decided upon through "agreement" between the United States and South Korea and that it is their stand to "respect" the U.S. nuclear policy because it is a policy established over a long time.

This is the topic of a NODONG SINMUN commentary today.

The news analyst says:

This is a wicked scheme of the colonial puppets to keep the U.S. aggressor troops and nuclear weapons in South Korea.

Their argument that U.S. troop pullout from South Korea is a question to be decided upon through "agreement" between the United States and South Korea is intended for a sinister purpose.

The U.S. imperialists have turned South Korea into a hotbed of nuclear war to invade the northern half of Korea with it as a foothold and, furthermore, gratify their wild ambition for domination over Asia and the rest of the world. They are now trying by hook or by crook to avoid withdrawing their troops and nuclear weapons from South Korea under whatever pretext they can invent.

Following the line of U.S. imperialists, the puppets are entreating them not to withdraw the U.S. forces from South Korea, paying a stupendous amount of money for their upkeep.

Their talk about "agreement" is nothing but a humbug intended to create the impression that they, too, are interested in the question of foreign aggressor troop pullout.

Noting that the South Korean authorities are acting the lookout for the U.S. nuclear weapons with a view to prolonging their remaining days under the aegis of the United States, the news analyst stresses:

They must not hesitate to agree with us on the subject of establishing a nuclear-free zone on the Korean peninsula and jointly declare it as unanimously desired and demanded by the fellow countrymen.

And the United States, the very one which has deployed nuclear weapons in South Korea, must withdraw its nuclear weapons and troops in compliance with the demand for the denuclearization of the Korean peninsula.

U.S. Holds Air Exercises in South 6 Aug

SK0808050391 Pyongyang KCNA in English 0440 GMT 8 Aug 91

[Text] Pyongyang August 8 (KCNA)—The U.S. Pacific Airforce Command Tuesday staged one more round of adventurous aerial joint nuclear strike exercises against the North with the Korean peninsula as the operational theatre, according to military sources.

Mobilized in the exercise in the air above Kunni and Yoju were formations of pacific-based nuclear-capable F-16 fighter-bombers and refuelling tankers and scores of F-16 fighter-bombers of the U.S. Airforce present in South Korea.

The exercise was aimed at increasing the war capacity for a preemptive strike at important targets in the strategic depth of the northern half of Korea in coordination with the U.S. Airforce stationed in South Korea the moment formations of Pacific-based nuclear-capable F-16 fighter-bombers fly into the operational zone, refuelled in the air by tankers.

Meanwhile, U.S. imperialists' EH-60 helicopter flew along the military demarcation line for electronic espionage against the targets of our side in the central sector of the front. And the South Korean puppets sent formations of armed helicopters and let them commit an aerial war exercise under our eyes.

A total of 590 military planes were mobilized in the aerial war exercises in the air above South Korea on August 6 alone.

Forestry Cooperation Plan Signed With RSFSR

SK0808104591 Pyongyang KCNA in English 1006 GMT 8 Aug 91

[Text] Pyongyang August 8 (KCNA)—An agreement on cooperation in forestry between the governments of the Democratic People's Republic of Korea and the Russian Soviet Federative Socialist Republic [RSFSR] was signed in Pyongyang on August 8.

It was signed on our side by Kim Chae-yul, minister of forestry, and on the opposite side by Vladimir Melnikov, chairman of the state cooperative "Rossiskie Resopromyshleniki" [as received].

Japan's Ishii Cited on Success of DPRK Visit

SK0808045591 Pyongyang KCNA in English 0430 GMT 8 Aug 91

["Chairman Han Tok-su Meets National Dietmen's League Delegation of Japan"—KCNA headline]

[Text] Tokyo August 6 (KNS-KCNA)—Han Tok-su, chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), on August 5 met the national delegation of the Dietmen's League for the Promotion of Japan-Korea Friendship which had visited the Democratic People's Republic of Korea some time ago.

Present on the occasion were head of the delegation Hajime Ishii, Liberal Democratic member of the House of Representatives; secretary generel of the delegation Yuzuru Shimazaki, Social-Democratic member of the House of Representatives; deputy heads Hideo Den, member of the House of Councillors from the Social Democratic Federation; and Atsushi Kanda, Democratic Socialist member of the House of Representatives.

Yi Chin-kyu, first vice-chairman, and the director of the international department, of Chongnyon Central Standing Committee were on hand.

Saying it is rare that all the members of a delegation visiting the DPRK were received by President Kim Il-song and shown warm solicitude by him, head of the delegation Hajime Ishii outlined the success gained by the delegation in its visit to the DPRK.

Chairman Han Tok-su hoped that the members of the delegation would conduct positive activities for improving DPRK-Japan relations.

Vice President Pak Song-chol Meets Libyan Envoy

SK0708112791 Pyongyang KCNA in English 1030 GMT 7 Aug 91

[Text] Pyongyang August 7 (KCNA)—Vice-president Pak Song-chol today met and conversed at the Mansudae assembly hall with Muhammad al-Mangush [spelling as received], secretary of the People's Committee for construction of the great artificial river, who is special envoy of the leader of the great September First revolution of the great Socialist People's Libyan Arab Jamahiriya.

Present there were Choe Su-hon, vice-minister of foreign affairs, and 'Abd-al-Hadi Mustafa, acting secretary of the People's Committee of the People's Bureau of Libya in Pyongyang.

Kye Ung-tae Speaks at Reception for UNRM

SK0808051391 Pyongyang KCNA in English 0444 GMT 8 Aug 91

[Text] Pyongyang August 8 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK] gave a reception Wednesday for the delegation of the Ugandan National Resistance Movement (UNRM) on a visit to Korea.

Speaking at the reception, Kye Ung-tae, member of the Political Bureau and secretary of the WPK Central Committee, said that the Ugandan National Resistance Movement has promoted national unity and the stability of the country and roused the people in building an independent new society. He sincerely wished them a new progress in their future work for the strengthening and development of the movement and for the building of an independent national economy. Noting that the current contact and meeting will help toward strengthening the ruling parties in the two countries and ensuring their monolithic leadership to successfully carry out the building of a new society, he said that the party and people of Korea will make active efforts to further strengthen and develop the friendly and cooperative relations with the Ugandan National Resistance Movement and people in the future, too.

Head of the delegation Eriya Kategaya, national political commissar of the UNRM and first deputy prime minister of the Republic of Uganda, spoke next:

Through the talks I have clearly realized that every work for the people is carried on confidently and successfully in Korea, which greatly impressed me.

The achievements in the building of socialism in Korea are a heavy blow at the enemy's anti-socialist offensive.

He expressed the conviction that the current visit of the delegation will be an important occasion in further developing the friendly and cooperative relations between the Ugandan National Resistance Movement and the Workers' Party of Korea and between the two peoples established by the great leaders of the two countries.

Kim Il-song's Special Envoy Leaves for Nepal

SK0708153791 Pyongyang KCNA in English 1524 GMT 7 Aug 91

[Text] Pyongyang August 7 (KCNA)—Choe Ki-ryong, chairman of the Education Commission, left here today to visit Nepal as a special envoy of the great leader President Kim Il-song.

He was seen off at Pyongyang railway station by Vice-minister of Foreign Affairs Cha Pong-chu and Vice-chairman of the Education Commission Yi Kwan-su.

NODONG SINMUN on Kim Il-song Talk

SK0708233691 Pyongyang Korean Central Broadcasting Network in Korean 0007 GMT 6 Aug 91

[NODONG SINMUN 6 August editorial: "Programmatic Guideline for Achieving Reunification of Fatherland Through Great National Unity"]

[Text] In the talk with responsible functionaries of the Committee for the Peaceful Reunification of the Fatherland and officials of the North side's Headquarters of the Pan-National Alliance for National Reunification on 1 August 1991 under the title of "Let Us Achieve Great Unity of Our Nation," the great leader Comrade Kim Il-song set forth a drammatic task on achieving great unity of the entire nation for the realization of the independent and peaceful reunification of the country. In the talk, stressing that Koreans must all unite and struggle to achieve the reunification of the country, the common cause of the nation, regardless of whether they are in the North, or South, or abroad, whether they are workers, farmers, intellectuals, youths, students, politicians, businessmen, religious persons, or soldiers, the great leader Comrade Kim Il-song extensively elucidated the principles and tasks that should be adhered to in achieving great national unity.

The great leader Comrade Kim Il-song's work is of epochal significance in strengthening the main force of reunification by realizing great unity of the entire nation aspiring for reunification and in expediting national reunification by maintaining overwhelming superiority of the reunification forces. Accepting and embracing the great leader Comrade Kim Il-song's work, "Let Us Achieve Great Unity of Our Nation," all party members and working people are overflowing with firm new faith in and optimism for national reunification and are filled with new determination to achieve the cause of national reunification by pooling the strength of the Korean people and overseas compatriots under the banner of great national unity.

The great leader Comrade Kim Il-song has taught: Great national unity is a fundamental precondition for the achievement of the independent and peaceful reunification of the country and its essential content. The first and foremost task in achieving the cause of national reunification is to achieve the great unity of our nation.

Achieving great national unity is a fundamental precondition for the achievement of the independent and peaceful reunification of the country and is the essential content of national reunification. The division of our country was not created by the contradictions within our nation, but was forced by foreign forces. Linking again the artificially split blood vessels of the nation, achieving national harmony, and realizing independence of the nation throughout the country constitute precisely the essential content of the reunification question of our country. This means that achieving national reconciliation and unity is synonymous with national reunification and constitutes an important prerequisite for recovering the independence of the nation.

Strengthening great national unity is the most righteous cornerstone and decisive guarantee for national reunification in which the truth of the great leader Comrade Kim Il-song's revolutionary ideology, that is, the chuche idea—that only when we strengthen the main force and increase its role can we be victorious in whatever movement—has been embodied. The foreign forces which have forced the division of our nation by no means present national reunification to our nation. The main force of national reunification is the Korean nation. If our nation as the main force of reunification is to fulfill its responsibility and role, it must firmly unite as one. The might of the main force is precisely the might of unity.

Important in strengthening the main force of reunification is that the entire Korean nation unite under the banner of great national unity on the basis of love for the fatherland and the spirit of national independence. The life of individuals, members of a nation, exists within the life of a country and a nation. Therefore, that one loves one's fatherland and treasures the independence of one's nation is precisely the common ideological emotion of members of a nation.

Our nation, which has lived on the same land and with the same blood and the same language, glorifying the brilliant national culture for the long period of 5,000 years, is a nation which has stronger patriotism and spirit of independence than other nations. In our country, a country composed of a single nation, our nation has displayed genuine nationalism, patriotism. This is the pride of our nation.

At the present stage of historical development, in which the fate of the popular masses is shaped using a country and nation as a basic unit, it is an indispensable requirement that the nation firmly establishes its chuche and unite and struggles for its common interests and prosperity.

Mr. Kim Hyong-chik, the father of the great leader Comrade Kim Il-song, set out the idea of "Chiwon"

["Don't forsake your noble aspiration."] and educated the people in patriotism and in the spirit of national independence, thus inspiring them for the patriotic struggle against Japan.

The great leader Comrade Kim Il-song, who was born into and grew up in such a revolutionary family, embarked on the road of revolutionary struggle with the firm determination to save the fate of the country and the nation. In the course of struggling to establish the chuche of the nation, that is, the chuche of the revolution, the great leader created the chuche idea, the guiding ideology of the revolution; led our people under the banner of the chuche idea; and finally achieved the historic cause of national liberation.

Indeed, the ideology of achieving national reunification by strengthening the main force of reunification through great national unity and thus building an ideal society of the people on this land is the banner of patriotism and love of nation that can be set forth only by the great leader Comrade Kim Il-song, the matchless patriot and the sun of the nation, who has devoted his whole life to rescue the fate of the country and the nation and to achieve prosperity of the nation by embarking on the road of the revolution from his early days.

Achieving great national unity for the reunification of the country is the brilliant summation of the wise leadership, achievements, and noble experience of the great leader Comrade Kim Il-song who, putting the nation's interests first, has led the revolution and construction along the single road of victory, relying on the united strength of the people. As the great leader Comrade Kim Il-song has emphasized, the secret of our people's victory in the revolution and construction lies in their having struggled, putting the nation's interests first and relying on their united strength.

The great leader Comrade Kim Il-song established the brilliant tradition of great national unity in the course of waging the anti-Japanese revolutionary struggle, relying on the broad-based anti-Japanese national united front, in the period of the anti-Japanese revolutionary struggle. In the struggle to build a new society after national liberation, the great leader Comrade Kim Il-song concentrated efforts first on achieving great national unity and called upon the people to make a positive contribution to building the nation, those with strength giving strength, those with knowledge contributing knowledge, and those with money offering money. Thus, the great leader has outstandingly built the popular masses-centered socialist society on this land.

In the struggle for national reunification the great leader Comrade Kim Il-song convened the joint conference of the representatives of political parties and public organizations of North and South Korea in 1948 and there created the precious experience that, despite differences in ideology and ideals, political views, and religious beliefs, all the people can unite in the struggle for the common cause of the nation. The line of great national unity set forth by the great leader Comrade Kim Il-song is the fair and aboveboard great program for national reunification, based on the firm conviction that if the entire nation struggles in concord and unity, drawing on tradition and experience, national reunification can be achieved without fail.

The task of achieving great national unity for national reunification set forth by the great leader Comrade Kim Il-song has emerged, proceeding from the growing demands and desire for great national unity in the North and the South in the course of the movement for national reunification.

The successful 15 August pan-national rally last year was followed by the pan-national music concert for reunification, North-South soccer games for reunification, and arts festivals. This year the North and South competed in the World Table Tennis Championship and the World Junior Soccer Championship with a single team. This shows that our people's ardent hope for reunification has surged ahead at a pace previously unknown. The spirit of national harmony and unity has grown so strong no force on earth can stop it, confirming that the realization of national reunification on the basis of great national unity has become a pressing demand of the nation.

In view of the essence of the national reunification question and the recognized truth about the revolution, and the patriotic traditions and experience of our people as a homogeneous ethnic people, and in view of the longstanding national desire, the task to achieve national reunification by realizing great national unity proposed by the great leader Comrade Kim Il-song is the most just and realistic policy for national reunification.

The great leader Comrade Kim Il-song has long explained the need to reunify our country by way of establishing a confederation system based on one people and one state, two systems and two governments.

Under the conditions in which there exist two different ideas and systems in the North and South, and as neither side is willing to make any concession about them, the only way to achieve national harmony and reunification is by building a confederal system.

The entire Korean people, regardless of whether they are in the North or the South or abroad, should unite to realize their common national cause, the cause of national reunification, with those with strength contributing to national reunification with strength, those with knowledge offering knowledge, and those with money offering money.

Reunification is a patriotic undertaking and division is the opposite. Any Koreans who hope and make efforts for national reunification are patriots; those who are against national reunification and pursue division by forming pacts with outside forces are traitors.

Measuring against such a standard and using such a yardstick, we should unite with anyone who supports national reunification, even with those who once committed sins before the nation and people. If they have embarked upon the patriotic road to national reunification after repenting of their past errors, we should forget their past wrongdoings.

Embodied in the great leader's thoughts on great national unity are the warm love and boundless generosity in bringing the entire people to the plaza of reunification, along with firm resolve to realize, without fail, the nation's longstanding desire ahead of schedule by strengthening the driving force behind reunification and isolating a tiny handful of traitors.

In his work, the great leader Comrade Kim Il-song has fully explained the fundamental principles which must be adhered to in the course of realizing great national unity and ways to realize the principles.

The cardinal principles that must be adhered to in achieving great national unity are that compatriots from all walks of life in the North and South and abroad must subject everything else to the cause of national reunification, placing common national interest ahead of everything else, transcending the difference in ideologies, systems, and religions.

Common national features that have formed and solidified in the course of a long history that spans 5,000 years are far greater than the difference in systems, thoughts, and ideologies that have temporarily been formed as a result of national division. A common national call of the entire nation for national reunification is far more important than the interest of individual class or sectors.

As class and sectors are part of the nation, no class or sectors can realize their own interests independently of the nation's common interest. If our people are not united based on the common national feature as a homogeneous ethnic people and instead reject the other and adopt hostile attitudes toward the other by emphasizing differencea, they can never achieve national reunification.

So, our people should abstain from doing things like placing class interest above national interests or replacing the struggle for national reunification with a struggle designed to realize class demands; rejecting some people on grounds that they maintain different political views or suppressing them with police force; or still regarding others with hostility simply because they have different a ideology and system.

In order to achieve great national unity, it is imperative for the compatriots in the North and South and abroad to make contacts and to visit as frequently as possible and actively to develop dialogue between them. In order to realize free visits and contacts and conduct broad dialogue, it is imperative to tear down the wall of division before anything else and do away with political and legal obstacles of all descriptions.

We have already presented a proposal for breaking down the wall of division and realizing free travel and a full-scale opening between the North and South. We have made every sincere effort possible to realize it ever since.

The problem is that the South Korean authorities have ignored all of these. The South Korean authorities have maliciously punished all those who have either visited the North or discussed abroad issues related to the reunification question with people from the northern half. They were charged with violating the National Security Law.

Those who have visited the North, such as Rev Mun Ik-hwan, who is in his seventies, and a young coed Yim Su-kyong, and countless people involved in reunification movement are languishing behind bars as victims of this law. As long as such an evil law is left intact, it is self-evident that it is impossible to realize free travel and contacts between the North and South.

The National Security Law, the obstacle to reunification, should be abolished at the earliest possible date.

In order to achieve great national unity, it is also imperative to strengthen nationwide solidarity in the struggle for national reunification.

Political parties, public organizations, and compatriots from all walks of life in the North and South and abroad should stay in step with mutual support and encouragement in their struggle for national reunification. At the same time, they should isolate and weaken the antireunification forces, actively stage various forms of joint struggles to smash their splittist maneuvers, and then stage a nationwide struggle to convert the Korean peninsula into a nuclear- free, peace zone after withdrawing the U.S. Armed Forces and nuclear weapons from South Korea.

In order to achieve great national unity, it is equally imperative to have organizational union of political parties and public organizations. Compatriots from all walks of life in the North and South and abroad must be engaged in the struggle for national reunification.

For all the compatriots sharing the same cause of reunification and patriotism to be in the organizational unity of the same ranks is an important demand necessary to achieve solid national unity and ensure uniformity of action in the struggle for national reunification.

The Pan-national Alliance for National Reunification [Pomminnyon], which was inaugurated last year according to the decision adopted at the pan-national rally, is a patriotic organization involved in the reunification movement. It came into being as a result of the joint effort of the patriotic organizations and figures of all standings in the North and South and abroad, assuming as its mission to realize national reunification based on the three principles of independence, peaceful reunification, and great national unity and speaking for the common desire of the compatriots in the North and South and abroad.

The mission and the sense of responsibility borne by Pomminnyon in realizing great national unity and hastening national reunification is very heavy. The Pan-national Alliance for National Reunification should work hard, conducting various activities, to expand and strengthen its ranks steadily among our compatriots and to accelerate national reunification.

The great national unity lines explained by the great leader Comrade Kim Il-song in his historic work "Let Us Achieve the Great National Unity of Our Nation" is a programmatic guideline that has given perfect answers to the theoretical and practical questions arising in solving the national reunification question and a great program and a banner of encouragement which illuminates a shortcut to reunification before the entire fellow countrymen, thereby giving them an optimistic view of the prospect for reunification.

Our people's spirit for reunification has surged ahead at a pace previously unknown. Driven by a single-minded desire to achieve national reunification without fail before the end of the 1990's, compatriots in the North and South and abroad have now courageously risen up in the reunification movement.

Despite the vicious obstructive maneuvers of the splittist forces within and without, our fellow countrymen tirelessly struggle for a successful convening of the pan-national rally on 9-10 August on the occasion of the 15 August national liberation. This is graphic evidence of how strong and powerful our national desire for reunification is.

No force on earth can bend this will of the nation.

All people in the North and South and abroad should uphold the great national unity lines declared by the great leader Comrade Kim Il-song and rise up in the struggle for its realization more vigorously.

When all of the people form an enormous reunification force through unity, they will have no obstacles or difficulties through which they cannot break, and the cause of national reunification will be realized without fail.

Kim Il-song 1975 Workers March Speech Published

SK0708154191 Pyongyang KCNA in English
1519 GMT 7 Aug 91

[Text] Pyongyang August 7 (KCNA)—"Let Us Promote the Building of Socialism by Vigorously Carrying Out the Three Revolutions," a speech of the great leader President Kim Il-song at the meeting of active industrial workers in March 1975 was brought out in foreign languages by the foreign languages press group recently. The work consists of the historical necessity for the three revolutions, the start of the three-revolution team movement, the achievements in the three revolutions and some tasks in accelerating the building of socialism.

In the work President Kim Il-song said that even after the establishment of socialist system those countries which have not had an industrial revolution and the former colonial and semi-colonial countries must continue revolution because these countries are backward ideologically, technologically and culturally and as long as capitalism and imperialism still exist in the world.

With the three revolutions, ideological, technical and cultural, dynamically stepped up under the wise guidance of the Workers' Party of Korea our socialist system has been consolidated and developed, the nation's economic potentials further increased and a solid economic foundation laid to liberate the working people from hard toil, he pointed out.

In the work he outlined tasks and ways of vigorously pressing on with the ideological, technical and cultural revolutions in order to build socialism and communism successfully.

Pak Song-chol Supports Kim Il-song Unity Policy

SK0708152491 Pyongyang KCNA in English
1500 GMT 7 Aug 91

[Text] Pyongyang August 7 (KCNA)—Pak Song-chol, member of the Political Bureau of the Central Committee of the Workers' Party of Korea and vice-president and Presidium member of the Central Committee of the Democratic Front for the Reunification of the Fatherland, today released a statement to the press on the new line and policy of great national unity laid down by the great leader President Kim Il-song in "Let Us Achieve the Great Unity of Our Nation," his talks to the senior officials of the Committee for the Peaceful Reunification of the Fatherland and the members of the North side's headquarters of the Pan-Korean Alliance for National Reunification (Pomminrnon) on August 1.

In the statement he expressed the conviction that when the new policy of great national unity put forward by the great leader Comrade Kim Il-song is firmly maintained it is possible to accomplish the historic cause of national unity and reunification without fail in a few years to come, fully supporting and warmly welcoming it in the name of the entire Korean people who aspire to reunification, he said:

The idea of the great leader that for the reunification of the country it is necessary to achieve the great unity of the nation embodies the chuche idea, the man-centred new philosophical idea, and it is based on the chuche-based outlook on the nation that the entire nation must unite and achieve and defend independence, regarding it as the lifeblood of the nation, and attain the common prosperity of the nation.

The idea and policy of achieving the great unity of the nation is the most reasonable and realistic way of realising national unity either in view of the essence of national reunification question and the truth of revolution or in view of the patriotic traditions of our nation as a homogeneous nation and the ardent desire of the fellow countrymen for unity and reunification and it is a fair and aboveboard proposal for reunification acceptable to all who want reunification.

He further said:

The great leader Comrade Kim Il-song laid down the fundamental principle that must be constantly adhered to in attaining the great unity of the nation and ways of carrying it into effect.

These fundamental principle and ways are the guideline of struggle which must be firmly maintained and carried through to the end in strengthening the driving force of national reunification by promoting the unity of the entire nation.

In hearty response to the new policy of great unity of the nation advanced by the great leader Comrade Kim Il-song we will make every effort to closely unite all the political parties, public organisations and compatriots in the North, the South and abroad that desire reunification and achieve reunification in the 1990s without fail by the united strength of the nation.

Development of Education in North Pyongan

SK0708152991 Pyongyang KCNA in English 1508 GMT 7 Aug 91

[Text] Pyongyang August 7 (KCNA)—Education is making a rapid progress in North Pyongan Province under the rays of the great theses on socialist education.

Before the liberation of the country, there was no institution of higher education but seven middle schools in the province. Now there are some 30 universities and colleges and more than 1,400 schools of various levels.

Neat branch schools for a small number of pupils have been built in Suun Island, a solitary light-house island at the lower reaches of the Amnok River in the westernmost tip of the country, and in remote mountain villages in Pyokdong County and Songsa-ri.

An all-people movement was conducted in the province to consolidate the material and technical foundation of education.

Last year, 400 classrooms were built at some 50 new schools and the educational conditions and environments of schools improved. The senior middle schools are so splendidly appointed as to ensure the operation of two-member experiment teams in physics, chemistry, biology and other subjects of natural sciences.

All schools have educational gardens and every primary school has a well-equipped room for the study of nature.

Scores of universities in the province such as Cha Kwang-su, Kwangje, Yangsil and Manpung Universities and Sinuiju University of Light Industry produce technicians and specialists capable of running party, administrative, science, education, cultural and health organs and different sectors of the national economy.

Many working people receive higher education while on the job at the factory colleges and specialised schools built in large-scale industrial establishments, coal and ore mines in the province.

The province is strengthening the operation of local study groups of the correspondence courses as an important measure to bring education closer to the vibrating realities and train competent personnel through practice.

In recent years, 120 youth workteam members of the Pungchon cooperative farm in Tongrim County and 225 agricultural working people of the Munjang cooperative farm in Kwaksan County received the qualifications of engineer and assistant engineer after studying while on the job. The number of such people are on a steady increase.

KCNA Review of 8 Aug Pyongyang Press

SK0808054091 Pyongyang KCNA in English 0454 GMT 8 Aug 91

[Press review]

[Text] Pyongyang August 8 (KCNA)—NODONG SINMUN today reports that the speech of the great leader President Kim Il-song at the banquet given in welcome of His Royal Highness Samdech Norodom Sihanouk, president of the Supreme National Council of Cambodia, was reported by foreign news media.

Carried in the press is a statement to the press by Pak Song-chol, member of the Political Bureau of the Central Committee of the Workers' Party of Korea [WPK], vice-president and Presidium member of the Central Committee of the Democratic Front for the Reunification of the Fatherland, in support of "Let Us Achieve the Great Unity of Our Nation," a work of President Kim Il-song. Dailies echo the reaction of people of all walks of life to the work.

A special envoy of President Kim Il-song left Pyongyang for a visit to Nepal, says the press.

According to NODONG SINMUN, South Korean people are making a deep-going study of works of the dear leader Comrade Kim Chong-il.

On the occasion of the day of youth (August 28) gifts of the Central Committee of the Workers' Party of Korea were presented to LSWY [League of Socialist Working Youth] organisations at all levels and its message of thanks was conveyed to the dental prevention hospital in South Hamgyong Province and the three-revolution team members there, says the press.

"Single-hearted Loyalty Is Basic Trait of Revolutionary of Chuche Type" is the title of a NODONG SINMUN article.

Given in NODONG SINMUN are accounts of the talks held between the delegations of the WPK and the Ugandan National Resistance Movement and the banquet given by the former for the latter.

A meeting of the employees of the Komdok mining complex and their helpers was held to renew their determination to hit with success the targets of lead and zinc production for this year, says the paper.

Papers inform the readers that the starting ceremony of the Mt. Paektu-Mt. Halla grand march for the promotion of national reunification was held and the marchers visited the Mt. Paektu secret camp.

The press reports that Han Tok-su, chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), met with the national delegation of the Dietmen's League for the Promotion of Japan-Korea Friendship which had visited the Democratic People's Republic of Korea.

Given in the press is an account of a meeting of workers in Pyongyang held in denunciation of the South Korean ruling group's brutal suppression of the struggle of the South Korean workers for right to existence and democratic freedom.

The U.S. imperialists and the South Korean fascist group committed aerial joint war exercises against the North, says NODONG SINMUN.

It runs a commentary denouncing the scheme of the South Korean authorities to keep as ever the U.S. troops and nuclear weapons in South Korea.

MINJU CHOSON comes out with a commentary condemning the manoeuvrings of the South Korean fascist group to stifle the "National Council of Student Representatives" (Chondaehyop).

The spokesman for the consolatory team of the people of all walks of life in the North for the Rev. Mun Ik-hwan and coed Yim Su-kyong demanded the South side to guarantee conveniences and safety so that it can carry out its mission in South Korea, according to the press.

It is reported in the press that the students of "Chondaehyop" held the starting ceremonies of reunification vanguards and reunificition festivals in different parts of South Korea, Chongnyon organisations at all levels are conducting brisk work for the second pan-national rally [PNR] and a newspaper of Koreans in Japan called for turning out to make the Seoul PNR successful.

The DPRK's proposal for the denuclearisation of the Korean peninsula is supported abroad, says the press.

"Denuclearisation of the Korean peninsula Is Matured Demand of the Times" is the title of a NODONG SINMUN article.

Given in the paper are world reaction to the signing of the strategic arms reduction treaty between the USSR and the U.S. and news that the spokesman for the Soviet Foreign Ministry released a statement in connection with Lithuania's recognition of the independence of Slovenia and Croatia and that the government of Romania issued a statement on the unreasonable resolution of the U.S. House of Representatives.

The Lebanese president called for building a peaceloving state, a meeting of information ministers of the ASEAN was held and the third meeting of the presidents and rectors of the universities and colleges and leading officials of the scientific research institutions in the Asia-Pacific region which was held in the Soviet Union discussed environmental protection, says the daily.

South Korea

Unification Board Issues Report on Life in North

SK0808022891 Seoul THE KOREA HERALD in English 8 Aug 91 pp 2, 4

[Text] Bribery is common in hard-line Communist North Korea which is suffering from serious food shortages and economic difficulties, according to a report released by the National Unification Board yesterday.

The report gave some instances of North Korean residents offering money to the North Korean Workers (Communist) Party in the name of contributions in return for favors.

The board said it filed the report on the basis of stories by several Korean-Americans who made trips to the North in recent months.

One of the visitors was quoted as saying that he was told by a ranking North Korean official to pay $100,000 if he wanted to have his relatives in the provinces moved to Pyongyang.

He also said he had to give $1,300 to the party to have his nephews hold a matrimonial ceremony in Christian style.

The travellers to the North also alleged that they witnessed some North Korean residents making donations of $100 to $200 to the party in return for favors.

The North Korean party allows Korean residents from Japan to visit Japan if they pay some money, according to the report.

A recent North Korean defector to the South also cited similar incidents of corruption in the North Korean society.

The defector, judo champion Yi Chang-su, told a recent press conference in Seoul that his father had been assigned to an insignificant job when he refused to offer a bribe to party officials.

The report also said most North Koreans have a very low level of respect for Kim Chong-il, son and heir apparent to Kim Il-song and that a growing number of party and government officials worry about developments after the death of the senior Kim.

Despite the acute food shortage, most North Koreans do not complain. Aged people appear to think that their living standards have markedly improved compared with decades ago.

Some residents in the provinces are often given ration tickets for cereals only for 15 days a month, according to the report.

Because of the shortage, rice is trafficked in the black market at prices 10 to 20 times as high as the government-controlled price.

Some of the travellers to the North said they were relatively free in touring Pyongyang, noting they could visit even back alleys without guides.

They said they could use call taxis at the Koryo Hotel, the North's highest ranked hotel, adding they had to pay the fare in American dollars.

Most of the hotel employees were graduates of the most prestigious Kim Il-song University, and about one fifth of them appeared to be government inspectors, the visitors were quoted as saying.

The university has opened a department of religion with an enrollment of about 200.

Christians are allowed to attend prayers on Sundays without wearing Kim Il-song badges. Their donations to the church are all given to the party.

Musicians are high on the list of occupations admired by the North Koreans. Traditional musicians are better treated than those majoring in modern music.

Korean expatriates in America visiting North Korea are usually welcomed warmly by residents, the report said.

Seoul Mulls Easing Restrictions on North Visits

SK0808022491 Seoul THE KOREA TIMES in English 8 Aug 91 p 2

[Text] The government is considering allowing people to visit North Korea even if they are not issued security guarantees by responsible authorities of North Korea.

A high ranking official hinted at the possibility for the facilitation of visits to North Korea.

The official said obtaining the written security guarantee is very difficult, thus making North Korean visit by individuals virtually impossible.

However, Koreans living abroad visit North Korea with relatively high frequency to meet family members and relatives or as tourists.

The official said it does not serve the government goal of opening the closed society of North Korea to stick to the policy of requiring the presentation of security guarantees for visiting North Korea.

As a corollary, the government is now giving serious thought to the matter of allowing people to visit North Korea even though they are not issued a security guarantee.

According to the regulations governing North Korean visits announced in August of 1990, those wishing to visit North Korea must get permission from the pertinent authorities to contact North Korean authorities or people directly or by mail.

After obtaining security guarantees through the contact, they have to submit it to the authorities for their visit.

The government has been pushing for expansion of exchanges with North Korea in terms of materials and personal visits to say nothing of mails.

Ministry Approves Purchase of Northern Products

SK0808092091 Seoul YONHAP in English 0700 GMT 8 Aug 91

[Text] Seoul, Aug. 8 (YONHAP)—The Trade and Industry Ministry said Thursday it approved purchases last month of North Korean products valued at 8.501 million U.S. dollars.

The items include 1.16 million dollars of red beans, 314,000 dollars of plastic resins, 198,000 dollars of postage stamps, and 122,000 dollars of duck down.

The state-run Agriculture and Fishery Marketing Corp. would make a list of import-controlled farm products such as adsuki beans it would allow to be imported from North Korea, it said.

South Korean companies continue to increase their purchases of North Korean cement as well as chestnuts and ginseng wine in preparation for the Chusok holidays, but there have been no northern purchases of Southern products since May.

Inter-Korean merchandise transactions amounted to 94 million dollars between January and July, a 10.7-fold rise from 8.1 million dollars in the same seven-month period last year.

The government has approved 142 million dollars of trade, including 125 million dollars of shipments from the North and 17 million dollars in the opposite direction.

Transactions with North Korea involved 80 companies and there is growing interest among small-and medium-sized firms.

Ship Firms Eager To Open Inter-Korean Routes

SK0808035691 Seoul YONHAP in English 0131 GMT 8 Aug 91

[Text] Seoul, Aug. 8 (YONHAP)—Two South Korean shipping companies said Thursday they are seeking to open direct lines to North Korea and create joint marine transport firms, or failing that to open indirect lines via Japan.

"We are using a certain channel to set up a joint venture with the North Koreans or to expand exchanges in other ways," said an official of Samsun Co., which shipped 5,000 tons of rice directly from the South Korean port of Mokpo to the North Korean port of Najin late last month.

He declined to reveal plans for a joint shipping company and other exchanges.

"You will see things taking shape in two or three weeks. The best way to improve inter-Korean relations is for South and North Korean businessmen to discuss ways to expand commercial exchanges on a private level," he said.

Busan Shipping Co. is seeking to set up a regular shipping route to the North Korean port of Chongjin from the port of Niigata or Maizuru in Japan. Busan has had regular sailings to Niigata since 1988 in an effort to open routes to ports in the Soviet Union and China.

A roundabout route between the two Koreas through Japan is quite possible because Sinotrans Co., a joint venture of South Korean firms and Korea-China joint-venture shipping companies, currently has the rights to operate on the Maizuru-Chongjin route.

Inter-Korean trade currently goes through Hong Kong or Singapore on ships bearing flags of other nations.

Soviet Sailor Requests Asylum in Pusan

SK0808105091 Seoul KBS-1 Radio Network in Korean 1000 GMT 8 Aug 91

[Text] A Soviet sailor has defected to our country and has been under investigation by pertinent authorities.

At around 1500 this afternoon at the third quay of Pusan port, it has been learned, a sailor of the Soviet-registered 8,300-ton "(Antanas Sbitsks)" ship, which was transporting squid, requested asylum in our country.

Gorbachev Approves Memorial for Downed Flight

SK0808092391 Seoul YONHAP in English 0805 GMT 8 Aug 91

[Text] Seoul, Aug. 8 (OANA-YONHAP)—Soviet President Mikhail Gorbachev has told relatives of victims of a Korean airliner shot out of the sky by a Soviet fighter in 1983 that they can visit the site of the incident to hold memorial services, the Foreign Ministry said Thursday.

"... We understand that it is impossible to blot out of the relatives minds the memory about the victims," Gorbachev said in a letter addressed to Hong Hyon-mo, chairman of the association of bereaved family members.

"Following humane reasons, the Soviet side let the victims relatives visit the place of the airplane loss for mourning ceremonies," the letter, dated Aug. 5, said.

Negotiations are currently under way between Seoul and Moscow on the memorial services, scheduled for Sept. 1 on a ship off the island of Os Moneron near Sakhalin, Ministry officials said.

An advance team, including Hong, is to go to Moscow on Aug. 13 to conclude details of the services, including travel arrangements and cost.

About 150 people, including 105 relatives of the victims, will leave for Yuzhno-Sakhalinsk on chartered plane Aug. 31. They will travel to Nevelsk the next morning and go by boat to the island of Os Moneron for the memorial services.

They are to return Sept. 2.

A Soviet fighter shot down the Korean Air Lines [KAL] Flight 007 on Sept. 1, 1983, killing all 269 people aboard. Moscow said the jumbo jet was illegally in Soviet territory and it believed the plane was on a spy mission.

A Soviet newspaper, quoting the pilot who shot down the aircraft and those involved in salvaging the debris, has claimed the pilot knew the aircraft was a passenger jet and that Moscow recovered the flight recorder but is keeping it secret.

Such reports should be treated "very cautiously and calmly," Gorbachev said in his letter.

"The Soviet side transfered all newly received information to the International Civil Aviation Organization (ICAO) Board and published it in the newspapers. We hope that you know these facts. Now we have not got any new information about the incident in addition to the facts which were published before," he said.

"As for Soviet newspaper IZVESTIA publications, we assure you that the official bodies bear no relation to this correspondent investigation, which reflects only author's point of view. So these publications should be treated very cautiously and calmly."

Gorbachev's letter was in answer to a letter Hong wrote in March requesting an explanation of the Soviet press reports.

"The hearsay that the victims of the incident were buried or subjected to a cremation on the territory of the USSR do not correspond the facts," the letter said.

"We would like to remind that in competent specialists opinion a considerable part of guilt for the incident lays on the Korean airline company, because its airplane roughly broke the airflights rules.

"This point, as you probably know, was recognized by the court of first instance of Washington, D.C., which enacted to pay a compensation to the victims' relatives.

"In conclusion we would like to assure you that all new trustworthy information concerning Boeing-747, in case it is found out, will be immediately transfered to Korean authorities," the letter said.

No New Facts on Airliner Downing Says USSR

SK0808101991 Seoul YONHAP in English 0955 GMT 8 Aug 91

[Text] Seoul, Aug. 8 (YONHAP) - The Soviet Union formally notified South Korea that no new facts have been discovered about the 1983 Soviet shooting down of a Korean airliner, the Foreign Ministry said Thursday.

The notification, delivered through the Soviet Embassy here, was in respose to the Korean Government's request for further investigation into downing of KAL [Korean Air] Flight 007 to find new facts about the mishap. The Soviets were asked the probe during the South Korea-Soviet policy consultations meeting held here in January.

In a letter, the Soviet Union reiterated that it has not found any new facts other than what Moscow reported to the International Civil Aviation Organization (ICAO) in 1983, the Ministry said.

The letter also denied a Soviet press report that the Soviet government buried or cremated the bodies of the victims and emphasized considerable part of the blame rests on the Korean airliner as it violated the Soviet airspace.

Korean Air passenger plane, carrying 269 people, was shot down by a Soviet military fighter on Sept. 1, 1983 and all the people aboard perished. Moscow claimed then that the South Korean aircraft was on a spying mission.

The letter was very close in content to Soviet President Mikhail Gorbachev's message to the bereaved families, in which he agreed to hold memorial services in his country for the victims, an official of the Ministry said.

The only new fact contained in the notification to the government was the specifying of the locality of the downing, listing it 70 kilometers west of Sakhalin near the island of Os Moneron, the official said.

He said the Ministry will carefully study the notification and reqeust for further information, if necessary.

Team To Tour PRC; Attend UNDP Meeting

SK0808004291 Seoul YONHAP in English 2309 GMT 7 Aug 91

[Text] Seoul, Aug. 8 (YONHAP)—A South Korean business team will visit China from Aug. 27-Sept. 9 to study the investment environment, the Korea Trade Promotion Corp. (Kotra) said Thursday.

The team, comprising officials of the Korea Trade Promotion Corp. and corporate executives, will visit Changchun, Yanji, Hunchun, Qingdao and Tianjin, it said.

In Hunchun economic free zone, near the border with the Soviet Union and North Korea, they will examine the participation of companies from China, the Soviet Union and North Korea.

They will attend a meeting of the U.N. Development Program [UNDP] in Changchun on Aug. 27-30, and contact the North Korean delegates. The two sides are expected to discuss North Korea's move to develop the port of Chongjin its vicinity into a special economic zone. [sentence as received]

The team will visit an international exposition in Tianjin on Sept. 2-7. This is the first international fair participated in by both South and North Korean companies.

They will also study the feasibility of building a Korean industrial complex in Tianjin, a project being pursued by the National Land Development Corp.

Science, Technology Pact Signed With Brazil

SK0808092591 Seoul YONHAP in English 0847 GMT 8 Aug 91

[Text] Seoul, Aug. 8 (YONHAP)—South Korea and Brazil concluded a science and technology cooperation agreement Thursday for regular exchanges of information and establishment of a joint commission.

It was signed by Korean Foreign Minister Yi Sang-ok and Francisco Rezek, his Brazilian counterpart.

Rezek, the first Brazilian foreign minister to visit Korea since the countries established ties in 1953, began a four-day visit on Wednesday.

The seven-article pact calls for exchanges of scientific and technological information, organization of joint seminars and workshops, exchanges of technical experts, joint scientific research projects and technological development.

It also calls for establishing a joint commission, which will meet every two years to evaluate and coordinate the cooperation programs between the two countries.

Rezek, meeting with Yi before signing the agreement, urged that their countries sign an aviation pact as soon as possible and the two foreign ministers agreed in principle to conclude one this year.

The Brazilian foreign minister specifically emphasized the importance of successful conclusion of the Uruguay Round, saying failure would "bring disaster" to the system of multilateral trade negotiations.

Rezek, stressing the need for global environmental protection, invited Korea to the U.N. Conference on the Environment in June next year in Rio de Janeiro.

Yi explained the results of the Association of Southeast Asian Nations (ASEAN) meeting last month and details of the upcoming Asia-Pacific Economic Cooperation (APEC) ministerial meeting in Seoul in November.

*End to 'Public Security Politics' Demanded

912C0238A Seoul TONG-A ILBO in Korean 21 May 91 p 11

[Article by reporter Yi To-song: "Opposition, Dissidents Decry 'Public Security Politics'"]

[Text] [Boxed item: After the scandal surrounding the death of Kang Kyong-tae, a student from Myong Ji University, opposition groups inside and outside the government have called for an end to "public security politics." There has been a cry for the resignation of No Chae-pong's cabinet, the dissolution of the Paek Kol Group, guarantees for peaceful meetings and demonstrations and the release of all imprisoned democratic activists, all of which boil down to the demand for an "end to public security politics." The issue of "public security politics" is a political topic that has been brought up intermittently. It became the hottest political issue of May. Although the current controversy may subside if Prime Minister No steps down, it will be of interest to discuss "public security politics" which has been, in the view of many, symbolic of the Sixth Republic's political form.]

Not all citizens clearly understand the "end to public security politics" slogan because its meaning is not as obvious as the 1987 "end to military politics" slogan.

However, the scandal surrounding Mr. Kang's case has clearly shown that the government still has the power to use violence, and as the political situation becomes more difficult as a result of pressure from opposition parties within the government and groups outside the government, the meaning behind the slogan "end to public security politics" might become as strong as the "end to military politics" slogan.

For an entire month after Mr. Kang's death at the end of April, the government and opposition parties were involved in offensive and defensive exchanges over "public security politics."

The difference between the opposition's offensive strategy and the administration's defensive posture is that the opposition uses complicated logical questions that include current events, while the administration's response is very simple.

Denunciation Increases After Mr. Kang's Case

On the 26th of last month, immediately after the death of Mr. Kang, the opposition declared that it would wage a battle against "public security politics" which had become an issue only intermittently in the past. The opposition would now fight to put an end to "public security politics." The opposition said Prime Minister No Chae-pong was responsible for Mr. Kang's death and demanded the resignation of his cabinet. Specifically, the New Democratic Party [NDP] submitted the "warning resolution for the end of President No Tae-u's public security politics" and the "resolution for the resignation of No Chae-pong's cabinet" to the National Assembly during a special session (the 29 April general meeting of Assembly members) and has adjusted the thrust of its offensive campaign against the administration by focusing on the issue of "public security politics."

However, the Democratic Liberal Party's [DLP] position, to quote Kim Yong-sam, was that "the home minister was replaced as the person responsible for the incident and the government will do its best to prevent the reccurrence of similar incidents in the future through improvement of riot control methods." The position of the party is that there is no connection between Mr. Kang's death and the issue of "public security politics."

On 1 April, at a pastor's meeting in Taegu, representative Kim Yong-sam and the chairman of the New Democratic Party, Kim Tae-chung, together declared that "the government controls the political power" and they were "against public security politics." Clearly, Kim Yong-sam changed his position.

May was highlighted by a news conference on the 8th where the chairman of the New Democratic Party, Kim Tae-chung, announced that his party was united in its efforts to oppose "public security politics." Chairman Kim said that "No Tae-u's ambition to implement a cabinet system of government was the root cause of 'public security politics' which created so much political confusion and unhappiness." Kim's point was that there is a logical connection between public security politics and the cabinet amendment.

"No's politics forced the merger of the three parties in order to promote an amendment that would establish a cabinet system of government, but circumstances would not allow this and as an alternative he established No Chae-pong's "public security" cabinet. No's cabinet suppressed the students and citizens seeking democracy on one hand, and on the other attempted to weaken political activities and worked hard to promote mistrust among citizens. No's cabinet was involved in the scandal surrounding the bribery of a commerce and industry committee, and eight assemblymen were arrested for falsifying an investigation in the Suso scandal. Finally, No's cabinet caused Mr. Kang's death. President No should give up on his attempt to implement the cabinet amendment, remove No's cabinet and end the public security politics"—this is the logic behind Chairman Kim's main point.

The opposition attempted to make a logical connection between "public security politics" and the cabinet amendment and tried to control the aministration by making these issues public. President No and Prime Minister No took positive action as a result of careful high-level planning behind closed doors.

On the 11th of last month, President No and Representative Kim Yong-sam met and President No said "the government's duty is to guarantee the safety of the public and maintain law and order. How can anyone criticize the government for public security politics?" Thus he refuted the opposition's assertions.

At a 17 May meeting, at which Ko Chae-pil and other senior politicians were present, the following arguments were made: "Since the 29 June 1987 declaration, we have endured numerous accusations about excessive use of public security presonnnel. To say that all the recent unfortunate incidents were caused by the 'undemocratic government' and its public security politics is political demagoguery. They [the opposition] are inciting and confusing the people, abusing the establishment of law and order, consenting to become part of a mob mentality, and even concocting the term 'public security politics'." In effect, the opposition was attacked as being linked to the forces whose aim is to overthrow the government.

President No and Prime Minister No Took Direct Countermeasures

Prime Minister No's logical refutation takes a more aggressive approach. On the 10th, during a television interview Prime Minister No stated that after his appointment to office (in December 1990) several big events occurred that they [the opposition] created "for reform" in order to surprise political authorities.

Prime Minister No had only one example of a case of an unfair university test in the art and sports departments, but there was a strong impression that Kim Tae-chung included these events when mentioning the scandals over the bribery of a commerce and industrial committee and the Suso affair.

In other words, on one hand the opposition party insisted that the exercise of the presidential and governmental power of law enforcement is used with the intention of influencing politics. On the other hand, the administration maintains that the public safety must be maintained and there are no political implications in this basic necessity. This is the main source of conflict over "public security politics." The opposition insisted that the arrest of the assemblymen was another example of "public security politics" being used for political purposes, but the administration maintained that it was "for the reformation." The opposition responded with an alternative view—that "they intend to enact the cabinet amendment by applying political pressure."

The fact is that it is difficult to objectively determine which side is right. One of the differences between the current situation and the one in 1987 is that there was not much conflict then over the slogan of an "end to military politics."

The current conflict centers on the opposition's insistence that "public security politics" be closely scrutinized and all political battles between the administration and the opposition since the establishment of the Sixth Republic be thoroughly re-examined.

Looking back, "public security politics" first became a political issue in 1989 and has spread since. In March Rev. Mun Ik-hwan visited Pyongyang without government permission. After this happened, the government summoned the president of the Party for Peace and Democracy [PPD], Kim Tae-chung; the president of the Democratic Party, Kim Yong-sam; and the secretary general of the Democratic Justice Party [DJP], Yi Chong-chan. This was the beginning of the "wind of public security politics."

The president of the PPD, Kim Tae-chung, and the secretary general of the DJP, Yi Chong-chan, were investigated, but Kim Yong-sam refused to cooperate with the investigation on the grounds that it was "political maneuvering." The reason for the investigation of the president of the Democratic Party, Kim Yong-sam, was that Yu Won-ho (at that time he was a member of the Democratic Party) who had accompanied Rev. Mun Ik-hwan on an illegal trip to North Korea made the following statement to the investigators at the prosecutor's office: "Rev. Mun asked me to let the president of the Democratic Party, Kim Yong-sam, know that we were planning to visit North Korea. When I saw Kim, I informed him of my intended trip, at the same time submitting my written resignation. Kim told me he didn't see any problem with my going to Pyongyang as a private person. In fact, he told me to have a good trip."

This case was never concluded because the president of the Democratic Party, Kim, refused to cooperate with the investigation, but the the real "storm of public security politics" began when Assmeblyman So Kyong-won visited North Korea. In August 1989, the president of the PPD, Kim Tae-chung; the vice president of the PPD, Mun Tong-hwan; the secretary general of the party, Kim Won-ki; and party member Yi Chol-yong were arrested, investigated and later prosecuted without detention on the charge of negligence of the National Security Law. At that time, the government leaked a rumor that "the president of the party, Kim Tae-chung, sent a personal letter to Kim Il-song" and "he received a part of some operational funds brought from Pyongyang by Assemblyman So"; afterward, the president of the party, Kim, angrily called for the three opposition parties to cooperate and reject "public security politics," but the other opposition parties responded by turning a cold shoulder to him.

Something worth noting is that while this was happening, on 19 July 1989 Pak Se-chik, chief of NSP (the National Security Planning agency) was replaced with So Tong-kwon, a former prosecutor. Public mistrust was created over the fairness of law enforcement immediately after the cases of Rev. Mun and Assemblyman So and six months later the three political parties merged, thus changing the political arena in favor of "public security" and law enforcement, and this, from the opposition's viewpoint, showed a cause and effect between the merger of the parties and law enforcement.

In this regard, one individual in a high-level government position said that he "was not in the position to address this point, but if one looked at it closely, there was a reasonable indication that this was the case."

On 1 April, the two Kims (Kim Tae-chung and Kim Yong-sam) announced that they were "against public security politics" at a meeting in Taegu, and, frankly, this is a good example of how they vacillate between "public security" and "politics."

Both Kims Are Aware of the Critical Situation

The two Kims continue to work together to oppose the cabinet amendment even though they were placed on opposite sides after the political reorganization. They have a common cause because they believe in order to stop the cabinet amendment, they must first oppose the force of "public security politics."

In the "1 April" declaration against public security politics, they alleged that the scandal surrounding the bribery of the commerce and industry committee, the Suso affair and the attempt to pass the cabinet amendment were the results of a "conspiracy" and an amplification of a disbelief surrounding politics that they called "changed water"; both Kims are aware of the critical nature of this situation.

"As President No said, the people who should enforce public safety and order are in fact dominating national politics—this is the Korean situation. The power of public security is controlling politics and the administration" insists the opposition (as stated by Pak Sang-chon, spokesman for the New Democratic Party).

The opposition (Chang Sok-hwa, speaker of the Democratic Party) lists the following individuals as being the center of power in terms of public security: Prime Minister No; Director of the NSP So; Chung Hae-chang, the chief secretary of the president; Pak Chol-on, minister of youth and sports; Son Chu-hwan, the senior presidential secretary for political affairs; and Kim Yong-il, chief secretary for audit and inspection.

People close to the president insist that "in terms of law enforcement, there is nothing sacred or above the law. During the last portion of President No's term in office, the authority and power of the government must be reinforced in order to prevent a situation where there is a loss of control as a result of political aspirations," thus they refuted the opposition's charges.

However, the results of the investigation in the Suso case demonstrated that there must be limitations on the authority of law enforcement.

In view of the fact that the "29 June" declaration suddenly weakened the power of the then public slogan calling for an "end to military politics", if the current administration does not take positive steps to confront the opposition's current slogan and manage the situation, the current political condition will become even worse.

Exports of Braun Tubes Expected To Decline

SK0808091991 Seoul YONHAP in English 0638 GMT 8 Aug 91

[Text] Seoul, Aug. 8 (YONHAP)—Exports of television tubes will shrink in the second half of the year, ending their strong growth in the first half arising from special demand in Eastern Europe and China, industry sources said Thursday.

Demand in the Soviet Union, Eastern Europe and China pushed up exports of Braun tubes 44 percent in the first half over the same period a year earlier, but there has been a marked decline so far in the second half due to shortages of foreign currency in Europe and floods in China, the sources said.

Many Chinese television factories are under water, so they have cut orders 20 percent. China also began to make Braun tubes on its own recently.

Korea's largest producer of tubes, Samsung Electron Devices Co. Ltd., exported 120,000 tubes a month to China until May, and 100,000 thereafter.

Gold-Star Co. also had orders from China cut 20 percent and is expecting 14 million U.S dollar of exports in the second half, down 2 million dollars from the first half.

Samsung, Gold-Star and Orion Electric Co. Ltd. are producing more than 30 million tubes a year.

Farm Products Largest Cause of Trade Deficit

SK0808062491 Seoul YONHAP in English 0503 GMT 8 Aug 91

[Text] Seoul, Aug. 8 (YONHAP)—A major contributing factor in South Korea's rising trade deficit is food, trading sources said Thursday.

Of a deficit of 6.49 billion U.S. dollars in the first half of the year, 3.949 billion dollars was in the agricultural sector, they said.

An upsurge in food imports had been unleashed by heated demand and liberalization of 85 items, including bananas and edible oil, they said.

The farm product trade deficit was 3.24 billion dollars in the first half and the livestock products deficit 698 million dollars, but fishery products posted a surplus of 555 million dollars.

Imports of farm, livestock and fishery products came to 4.88 billion dollars, of which 1.74 billion dollars came from the United States and 467 million dollars from China.

Other import markets include Malaysia (400 million dollars), Australia (390 million dollars) and the European Community (240 million dollars).

* Status of ROK Advanced Technologies

912C0221A Seoul CHUGAN MAEKYONG in Korean 24 Apr 91 pp 30-43

[Article by reporters Yi Ki-tong, Yi Yong-nan, Yu Ho-kil, Yo Hong-il, Choe Ki-yong, Yi Che-kyong, and Pak Chong-yang: "Korea's Advanced Technologies Have Come This Far"]

[Text] Advanced technologies are the future cornerstone of our national economy. To put it a bit stronger, they could, one might say, determine the future of the nation's industry. Therefore, the high-tech wind now sweeping through our business circles has prompted industrial nations to raise their guard and at the same time is jealously watched by neighbors such as Taiwan and Singapore. The following is a study dealing with our current levels in frontier industries and their future.

Semiconductors (by Yi Ki-tong)

Of whatever advanced technologies Korea has to show off to the world, few have made such stunning developments as its semiconductor did in such a short period. In fact, not many people had even heard the word "semiconductor" before the early 1980's. It was not unusual for people not to have even a very basic idea of what a semiconductor was—and what it was used for.

It was not until Samsung Electronics Company launched—following its development of the 64KDRAM in 1984—a dramatic publicity drive on the advent of a full-fledged VLSI era that the semiconductor was first recognized as the "rice of industry" in our country.

Our semiconductor technology has since developed by leaps and bounds. In 1986, two years after the 64KDRAM production, Samsung wound up the 256KDRAM development, narrowing the gap in technology with the United States and Japan, the top runners in the IC race, from four years to two. Samsung quickly followed it up with the 1MDRAM in 1987—which the advanced countries had just developed the year before. A hot chase was on.

At the World's Top Level in 16MDRAM

Korea's independent semiconductor development has gained so much momentum from the 4MDRAM on that there seems to be little technology gap in this field now. Enterprises in Korea and the advanced countries developed the 4MDRAM and the 16MDRAM almost at the same time—the 4MDRAM in 1988 and the 16MDRAM in 1990. This means that at least in IC memory technology, we have arrived at the world's top levels.

In fact, in August last year, when Dr. Chin Tae-che and his team at Samsung Electronics Company's Integrated Research Institute announced the development of a 16MDRAM test product, it sent a shock wave through the world's semiconductor makers. At the time, only a handful of them had cracked the 16MDRAM barrier, including "Japan's semiconductor gang of four"—Hitachi, Toshiba, NEC, and Matsushita—and IBM of the United States. The information capacity of the 16MDRAM developed by Samsung is huge indeed—so huge that the reduced drawings of all the residential houses in Seoul can be put into the tiny chip of thumbnail size, even with a fine letter of "residence" written-in on each house. Meanwhile, Japan's NEC, the world's biggest memory-chip maker, recently succeeded in manufacturing the 64MDRAM, which is a notch above the 16MDRAM. NEC thus succeeded in putting the map of all of the London streets—also with the letter of "residence" written in clearly—into the 64MDRAM circuits the thickness of which is equivalent to one 150th of human hair.

Samsung Electronics World's 15th in IC Sales

The U.S. side would not remain idle either. The U.S. National Committee on Semiconductors, in a report submitted to President Bush in February, announced plans to develop—as a nationwide project and within the next nine years—a giga-scale, S-RAM semiconductor the capacity of which is 16 times that of the 64MDRAM. It is obviously extremely conscious of Japan's existence.

Korean companies are as high-spirited and aggressive to keep up with the United States and Japan in the keen competition. According to blueprints, the "big three" makers—Samsung Electronics, Goldstar Electronics, Hyundai Electronics—and the Korea Electronics and Telecommunications Research Institute will cooperate and develop the 64MDRAM by 1992 and the 1-giga DRAM by the year 2000. The strategy here is to chase the United States and Japan close on their heels through to the end. And they are all set to make a clean hit or two if need be to turn the tide.

As it is with all other goods, finding the market is as important as development with semiconductors. Hundreds of billions or even trillions of won might be invested in the development of a small chip but if the maker should fail to find a market for it ahead of rival makers, he is doomed. Most important is to complete the development of the product ahead of rival firms. In other words, to be a loser in the commercialization race means disaster. A few years ago, after Japanese semiconductor firms had controlled the world's 1MDRAM market and taken a lion's share of it, Korean companies suffered serious losses trying to make an inroad by a dumping strategy.

In the case of the 1MDRAM, which has emerged as the mainstream commodity in the IC market since last year, our domestic production (including exports) has reached an average of 10 million pieces—Samsung 8 million, and Goldstar and Hyundai 1 million each. Interested sources agree that as far as the 1MDRAM is concerned, Korea is the world's largest producer. Samsung Electronics, riding the tide, last year sold $970 million worth of memory chips to rank sixth in the world market share, next to Japan's Toshiba, NEC, Hitachi, Fujitsu and Mitsubishi.

Samsung Electronics also reported $1.315 billion in gross semiconductor sales last year, including both memory and non-memory products, setting a record good enough for 15th in the world rankings and a 2.3 percent market share. Meanwhile, Japan, which had gained unrivaled control of the memory field, gained a 49.5 percent market share, virtually half of the entire semiconductor market, with as many as 10 Japanese companies ranking among the world's top 20. The world semiconductor market reached a $58.4 billion level last year, marking a 2 percent gain over 1989. The United States took the second place next to Japan with a 34.9 percent market share.

In the memory market, which is the most voluminous single-product market, Korea maintains the third place next to Japan and the United States, with a 15 percent market share. However, in the overall competitiveness including microprocessors and the application-specific IC, Korea's market share is only 5 percent and increasingly under pressure from the United States, Japan and European countries.

Representing the European forces are such big businesses as Philips ranking as the world's 10th (with $1.93 billion in the 1990 sales and a 3.3 percent market share), SGS Thompson the 12th ($1.46 billion, 2.5 percent), and Siemens 16th ($1.22 billion, 2.1 percent).

Korean semiconductor makers' handicap is self-evident. Korea has indeed reached world levels in the memory chip, processes and manufacturing technologies but is still lagging in its designing capability for non-memory IC's such as ASIC (application-specific integrated circuit) and microprocessors.

Non-Memory IC Designing Capability Inadequate

The world semiconductor market is expected to reach $65.5 billion this year. It will continue to grow at an annual average rate of 20-25 percent to reach $80 billion in 1992 and $101 billion in 1993—and $200 billion in the year 2000, according to analyses. In fact, the demand for 4MDRAM has jumped this year, showing trends that the 4MDRAM is rapidly replacing the 1DRAM. This year alone 120 million pieces of 4MDRAM ($2.5 billion in worth) are expected to be sold; in 1992, $6.2 billion worth of 4MDRAM will likely be sold (along with approximately $4.4 billion worth of 1MDRAM). Thus, the fast-growing 4MDRAM is likely to become the leading memory commodity, the anticipated 1993 4DRAM market being $9.6 billion, a size much larger than the $3.8 billion forecast for the 1DRAM.

Not to miss this golden opportunity, Japan's Toshiba this year increased its monthly 4MDRAM production from 2 million pieces to 3 million, and Hitachi from 2 million to 2.5 million. They refuse to ease up their offensive and pressure against Korean businesses.

To cope with this situation, Samsung Electronics has increased its monthly 4MDRAM production from 500,000 pieces to more than 1 million since the beginning of this year. Goldstar and Hyundai are also expediting the laying of systems to start their 4MDRAM mass production as early as possible.

Comparison of Semiconductor Technologies

	Korea	Advanced Countries
Designing technology	4MDRAM designing technology of its own Inadequate CAD technology (relies on imported technology)	4MDRAM and 16MDRAM designing technologies of their own 64MDRAM development under way.
Process technology	has secured 1.5 micrometer-class 256KDRAM production technology secured 1.2 micrometer-class 1MDRAM production technology and mass production under way secured 0.8 micrometer-class 4MDRAM production technology and mass production under way is in the process of developing 0.6 micrometer-class 16MDRAM process technology	have secured submicron CAD technology secured 0.8 micrometer-class 4MDRAM production technology and mass production under way have completed development of 0.5 micrometer-class individual process technology have embarked on development of 0.35 micrometer-class 64MDRAM.
Testing/examination technology	has basic technology	have testing equipment and memory-testing S/W technology of their own.
Analytical technology	automation of testing and independent testing program technology insufficient	recovery rates in laser repair improving.

Comparison of Semiconductor Technologies (Continued)

	Korea	Advanced Countries
Equipment technology	in the stage of assembling part of the existing equipment for semiconductors technology for high-tech equipment development weak (remains at basic research levels)	in the process of developing 0.3 micrometer-class ultra-precision IC equipment, and 0.1-0.4 micrometer lithography equipment.
Material technology	efforts under way for domestic production of wafers, PR, mask, bonding wire, lead frame, special gas quartz, and EMC (development technology for high-tech materials insufficient)	development under way of high-tech semiconductor materials such as photosensitive materials for ultra-fine patterns.
Assembly technology	has high-reliability package technology ready for automation within unit process	have high-reliability package technology automation of package processes under way.
Basic technology	next-generation basic technologies weak	have secured part of basic technology for 1GDRAM-class IC.

Source: The Korea Electronics and Telecommunications Research Institute

Biotechnology (by Yi Yong-nan)

Biotechnology products produced in Korea cover a wide area, including food additives, enzymes, agricultural chemicals and paints as well as pharmaceuticals.

In pharmaceuticals in particular, such products as hepatitis vaccine and interferon have been commercialized to replace what in the past were produced by the conventional chemical means.

Wide Gaps in Market Size, Technological Level

The domestic market for biotechnology products has grown vastly in size, almost quadrupling from 5.4 billion won in 1988 to 20 billion won last year. It is expected to reach 40 billion won by 1995.

However, compared with the advanced countries like the United States and Japan, our level in biotechnology is still in the fledgling stage. The world biotech market for 1990 is estimated at $27 billion. The U.S. market alone reached $2.9 billion (2.08 trillion won) while the Japanese market surpassed 30 billion yen (160 billion won). The Japanese even coined the word "bioindustry."

The gap in technology is even wider. In the United States, the basic idea of biotechnology was already taking shape in the early 1970's and venture firms have cropped up since the late 1970's. Globally, the biotech industry has now emerged from its fledgling stage and concentrated investments are being made. There were more than 1,000 biotech-related companies in the United States as of July 1990.

Korea was 10 years behind when it opened its eyes to biotechnology. It was in 1982 that the government extended its policy support to this area for the first time.

Basic research thus began late and the lag in manufacturing technology is even more serious. While having arrived close to a 60 percent level of advanced countries in basic technology such as the securing of genes, we are way below that in the application and commercialization areas.

In pharmaceuticals, for example, while Korea still remains at the level of manufacturing vaccines against general diseases, the United States is in an advanced stage developing materials for treatment of specific hereditary diseases.

Especially, compared with laboratory research, Korean firms are underdeveloped in the manufacturing area to back it up, according to assessments.

Another problem is that the United States, as the top runner in the biotech area, applied for patents en masse, creating the possibility of future disputes with other countries developing new materials—e.g., Cheil Sugar Company involved in a patent dispute with Ross Laboratories over its interferon.

Despite such obstacles, government authorities, academics and businesses are making positive efforts to bring our biotechnology up to advanced levels.

In the policy support area, the Ministry of Science and Technology last year laid out 4.1 billion won, including 2.3 billion won in expenditure for state-run research and development [R&D] programs. The Ministry of Health and Social Affairs and the Ministry of Trade and Industry also plan to start their support programs this year. The strategy calls for pouring out approximately 50 billion won in this field by the end of this year. Since its establishment in 1985 as an auxiliary facility of the Korea Advanced Institute for Science and Technology [KAIST], the Genetic Engineering Institute has produced: environmentally safe pesticides using microorganisms, diagnostic reagents for liver trouble and diabetes, and a petroleum desulfurizing method using sulfate reducing bacteria.

The need for industrialization using biotechnology has grown, drawing greater interest from the business world. Also, laws providing for exclusive use of biotech products are being enacted one after another.

In hepatitis vaccines, the U.S. FDA banned the use of conventional vaccines in 1989. Meanwhile, the Ministry of Health and Social Affairs moved to prohibit the use of saccharine in February 1990. Meanwhile, controversies continue over the existing chemical detergents and medicines as to environmental and health hazards involved.

In view of this development, businesses launched a search for substitutes for existing products while pushing basic research.

Lucky, Limited last year specialized its system by reorganizing its Genetic Engineering Institute as the Biotechnology Institute and placing it on an independent footing. It developed gamma interferon late last year on its own, successfully marketing it under the trade name of "Intermex Gamma." It plans to produce growth hormone drugs for the human body and animals by the end of this year and is continuing R&D on immunizing agents and lubricants.

Cheil Sugar Company is pushing R&D in biotechnology with the cooperation of its General Research Institute and institutes in the United States. It began marketing interferon ointment as the first biotechnology product in our country in 1985, developing oligosaccharide in 1987.

The company also invested 4 billion won to develop alpha-feron on its own, marketing it in the country in December 1989 only to be drawn into a patent dispute with Ross Laboratories. The two companies have been in bitter dispute over gene manipulation. Although Cheil Sugar Company won the first round, the case is still pending in the court.

Government, Academics, Businesses Out for Development

Korea Green Cross Medical Corporation has begun marketing diagnostic reagents for hepatitis and AIDS which it developed on its own. At the same time, it applied for license for alpha- and gamma-interferon.

After self-developing and marketing diagnostic reagents for hepatitis and AIDS, Dong-A Pharmaceutical Company is importing the hepatitis vaccine of the U.S. Merck company for domestic marketing.

Miwon developed penilalanine—raw material substance for aspartame—and began exporting it in 1988. It plans to embark on domestic production of aspartame this year.

Sunkyong Industries, Limited established its biotechnology institute and, while focusing on developing natural substances, has expanded its R&D sphere through the development of the ethanol process.

Meanwhile, Yukong, Limited is developing a wastewater disposal process, while other pharmaceutical firms including Yuhan Corporation, Yungjin Pharmaceutical Industries, and Chong-Kun-Dang Corporation are focusing on the development of medicines in their respective fields.

Also, Korea Explosives Company, Pacific Chemical Company and Sunil Glucose Company are engaged in the development of fine chemicals, biocosmetics and chemical products respectively. Thus, companies are pushing ahead with their R&D programs.

Although our biotechnology is still in the fledgling stage, interested sources expect that with the government's positive support plus R&D efforts by academics and businesses, it will be able to fill the gap with the advanced countries to some extent.

Fine Chemistry (by Yu Ho-kil)

Of the frontier industries, the fine chemical industry is an area where enterprises in this country are required to redouble their efforts. Although there are more than 1,000 firms operating in this field, they are still unable to attain full growth.

Fine Chemicals 90 Percent of Chemical Industry in Switzerland

The fine chemical industry is a typical advanced-country-type industry the technology and product levels of which have a decisive impact on the related industries' product quality, productivity, and value added. Generally, fine chemicals include such chemicals of special technology as agricultural chemicals, pharmaceuticals, salt, cosmetics, catalysts, and various additives.

Lately, in the advanced industrial countries, fertilizer, cement, petrochemicals and other general chemical firms—concerned about the excessive capacity, saturated demand and their dwindling relative advantage over oil-producing countries—are shifting to fine chemistry, a more technology-dominant branch. Consequently, the proportion of fine chemical industry to the overall chemical industry is gaining gradually.

In Switzerland's case, fine chemistry accounts for more than 90 percent of the overall chemical industry. The percentage is over 50 percent in most of the industrial countries like Japan, Britain and the United States.

As technology developed and market demands for variety grew, the fine chemicals market also grew from $150 billion in 1982 to $240 billion in 1990. It is expected to grow to $375 billion in the year 2000.

In comparison with such global development today, Korea's fine chemical industry is simply too small in size—even when compared with other domestic industries.

Last year the more than 1,000 fine chemical firms in the country sold 5.049 trillion won in products. The market share was only 2.6 percent.

The proportion of the fine chemical industry to the entire chemical industry is approximately 20 percent on average, a figure significantly below the levels in the advanced countries.

However, viewed from the technological standpoint, our fine chemical industry presents a better picture than from the quantitative.

In the 1950's, we were totally dependent on foreign imports for fine chemicals. In the 1960's, we managed to meet the demands by importing raw materials and putting them to some simple processing. Even in that process, the copying of synthesizing technology did not start until the latter half of the 1970's. It was in the early 1980's that our fine chemical industry could, with the successive participation of major corporations, emerge from the mere copying of foreign technology and move on developing new processes of its own.

Especially, since the introduction of the substance patent system in 1987, the government and the private sector have set up facilities for reference and research on physiologically active substances as well as safety evaluation and testing systems, which are essentially required in the creation of new substances. They have focused their efforts on building the fundamental facilities.

As a result, led by the government-financed organizations and research institutes run by conglomerates, the creating capacity for new substances has improved to a significantly high level.

Since the introduction of the substance patent system, domestic enterprises and state-run research institutes had obtained 354 patents as of the end of last year. Although a far cry from the 5,150 patents granted to overseas applicants, the figure is seen as great progress from the zero level in 1987.

The Korea Research Institute of Chemical Technology has been most active with its achievements in the creation of new substances. Through last year, it had obtained 82 patents covering virtually every area, including agricultural chemicals, antibiotics, intermediate body, high polymer materials, herbicides, and antibacterial substances.

The institute scored epoch-making results by developing a "new antibacterial substance" for the first time in the world, plus the new insecticide KH502 which is six to seven times more powerful than pyrethroid-type insecticides, as well as oral antibiotics, and new substances for medicines to treat high blood pressure. KAIST is also active with R&D in the fine chemistry field, obtaining 21 new substance patents through last year.

Among the companies relatively active with research in the private sector are Lucky, Cheil Sugar, Kolon, Cheil Synthetic Textiles, and Yuhan Corporation.

To Create Dozens of New Substances in the Year 2000

Lucky, Limited has so far applied for 26 new substance patents. Of them, the pyrethroid-type insecticide and fourth-generation cephem antibiotics manufacturing technologies in particular are seen as being of global significance.

The pyrethroid insecticide is called "dream insecticide" and environmentally safe. Highly degradable in soil, it has resolved the problems of residual toxicity and environmental contamination.

Meanwhile, the fourth-generation antibiotic is known for its high resistance against all types of infectious bacteria and sustained medical effect. Lucky, Limited surprised business circles by selling it to the British Glaxo company in February this year on the terms of $15 million in advance and 5 percent of future sales.

Yuhan Corporation has obtained patents on 10 liver drugs and anticancer drugs, including "YH-439" which its Central Research Institute took four years to develop. This substance has the effect of suppressing the peroxidation of soil quality from heavy metals and other harmful substances, aiding the detoxication process of the liver and sharply enhancing the power of the liver to grow new cells. Currently, it is in the clinical demonstration process and its commercialization is considered imminent.

Kolon has so far obtained four new substance patents, including "PE Elastomer," a new substance seen as a driving force that put our engineering plastics industry onto a higher level. Especially significant is the fact that the Kolon technology staff succeeded in independently developing it under the watchful eyes of Du Pont and Toyobo which had refused to transfer the technology.

Cheil Sugar recently developed 7-ACA, which is a basic substance needed for synthesizing a variety of cephem antibiotics and, as a high value-added drug, requires high-level fermentation and refining technologies.

Currently, this substance is being produced only by advanced pharmaceutical companies in six countries, including Japan's Fuji and America's Mille [name as published].

Cheil Synthetic Textiles has so far obtained four substance patents, including the commercialized antibacterial deodorizer "PP Spunboard" which is known for lasting antibacterial effect and causing no adverse reaction.

Despite all these active R&D activities by fine chemical companies, Korea is seriously lagging behind the advanced countries in overall technological levels. According to assessments by industrial sources in the country, Korea still remains at a 30 percent level of the advanced countries in the process automation and intermediate body technology developments, although its levels in such core technologies as molecular designing, condensed matter analyzing, synthesizing methods, and application technology have risen up to 50-60 percent.

However, if R&D efforts continue as smoothly as today, it is expected that dozens of new substances will be created and commercialized by the year 2000.

It is also expected that a sustained 10 percent or higher growth will continue in the domestic market demands in the 1990's and that the sales of Korean firms will reach 13.5 trillion won or a 5 percent share of the world market in the year 2000.

Prospective World Market Shares in Fine Chemicals

	Unit: billion U.S. dollars			
Item	1989	1995	2000	Gain
World Market Size	237.5	308.5	375.0	4.2%
Korean Firms' Sales	6.2	12.1	18.9	10%
Market Share	2.6%	3.9%	5.0%	

Patent Applications for Fine Chemical Substances

Item	1987	1988	1989	1990
By Koreans	49	85	140	80
By Foreigners	910	1,489	1,848	905
Total	959	1,572	1,988	985

Mechatronics (by Yo Hong-il)

The nation's technological accumulations in mechatronics have gained to some extent in the hardware area as a result of recent experience in the assembly field. Vigorous progress is also being reported in the domestic development of software and core elements.

"Mechatronics," originally meaning mechanism or mechanics combined with electronics, now includes the function of information. Thus, it can be defined as technology of building systems that fit given purposes by applying mechanical, electronic and information processing technologies.

Mechatronics has wide applications ranging from automation components such as robots, NC machine tools and unmanned transport vehicles to durable consumer goods like copying machines, cameras, and auto electric equipment components. However, mechatronics' main fields are robots, NC machine tools, PLC (programmable logic controller), CAD/CAM, servomotors, sensors, auto electronic system, and information standardization.

Approaching Latest Technologies in Two-Three Years

A look at core technologies in this field as compared with levels in the advanced countries indicates that in the NC machine tool technology, Korean firms are in the stage of developing NC technology, either jointly with foreign companies or independently.

Korea Electronics Company, in a technology tie-up with the Allen Bradley company, has embarked on domestic development of NC devices for lathes and MC (machining center), while Goldstar Industrial Systems Company has entered the marketing stage through a tie-up with Siemens. Tong-il Company, Limited has already developed an NC system of the FANUC 6T/M class and has begun marketing it as an attachment to machines it produces. Goldstar Instrument & Electric Company has developed and commercialized an NC system of the FANUC OT/M class.

As for technological levels, Korean companies currently have the capacity of developing 6T/M- or OT/M-class systems of the FANUC company. According to experts, under the present competitive environments, they will very likely be approaching the world's latest technology levels within the next two or three years.

In hardware technology, Korean firms find themselves about five to 10 years behind firms in the advanced countries in the spindle speed area, with 6,000-10,000 rpm against the latter's 30,000 rpm (ball bearing) to 60,000 rpm (magnetic bearing). They are lagging in the spindle lubricating and heat control technologies, too. In the degree of precision such as that of position determination of repeated return motion in the NC lathe and the MC, Korean firms are at a 2-5 micrometer level against Japan's 1-3 micrometer, which translates into a three to five year lag.

In the robot technology, Korean firms are weak in the design capability for unique models—e.g., they remain at a 70 percent level of Japan in hardware structural analysis and designing. With main controllers, domestic production can cover up to five- to six-axis controllers; however, they lack the multi-axis, simultaneous control technology and the design capability for multiplex processors. In precision machines and component parts such as the harmonic driver and ball screw, they still have shortcomings in precision and durability. Consequently, they rely on imports for such parts while some are attempting to produce them domestically.

Robot application technology represents a field requiring a great deal of effort in the future. We are lagging in such fields as the robot language technology needed for dialogue with human beings, off-line programming needed for information input and movement programs, and computer network technology needed for systems. Our levels in these areas are only 40-60 percent of the advanced countries.

The basic playback robotic arm developed by Hyosung Precision in 1970 was the first mechatronics product ever turned out in our country. Domestic production, mainly of NC lathes, began in 1977 on a limited basis, while CAD/CAM systems have become popular since the early 1980's.

In the advanced countries, NC machine tools were developed in the 1950's and robots were put to use on a commercial basis in the 1960's. In comparison, Korea made its start in the mechatronics industry approximately 20 years behind them.

In robot technology, the advanced countries have completed the development of AI robot with sensing and judging functions; they are now expected to develop robots with study and control functions. Currently, they are in the stage of developing robots for hazardous environments. Especially, advanced countries are known for universal utilization of robots; in Japan's case, it has approximately 200,000 sets of robots.

Still Relying on Foreign Technology for Core Components

Korea's robot technology is still in the development stage. In the utilization area, too, it can be said to be in a fledgling phase. The number of robots in this country is only about 2,500.

The current domestic production rates in major products are: in NC machine tools, NC lathes 60-80 percent, machining centers 50-70 percent, NC electrical discharge machining system 20-30 percent; in robots, three or four-axis multi-joint-type 60 percent, five or six-axis multi-joint-type 30-40 percent, and cartesian coordinates-type 40-60 percent.

In the mechatronics-related technology, Korea has generally emerged from the foreign-model importing or imitating phase and is in the stage of accumulating its own technologies. For core components, however, it still relies on foreign technology.

Leading in the area of industrial robots are seven or eight companies. Their 1990 sales were: Kia Machine Tool Company, 9 billion won; Hyundai Robot Industry, 7 billion won; Goldstar Industrial Systems Company, 4 billion won; Daewoo Heavy Industries, 5 billion won; Doosan Manufacturing Company, 4 billion won; Samsung Aerospace Industries, 4 billion won; and Goldstar Electric Machinery Company, 900 million won.

Doosan Manufacturing Company developed a four-axis cartesian coordinates robot for spot welding, two types of vertical multi-joint robot, and a horizontal four-axis robot. Goldstar Industrial Systems Company became the fourth in the world to develop the direct-drive [DD] robots; its strategy is to make its horizontal multi-joint robots and DD robots the world's top-level commodities in the year 2000. Meanwhile, Goldstar Electric Machinery Company is producing and supplying the cylinder coordinates-type, four-axis-drive-mode robot capable of operating four DC servomotors simultaneously.

Hyundai Heavy Industries Company developed a cartesian coordinates-type robot. Daewoo Heavy Industries developed NOVA-10, a multi-joint-type multi-purpose robot and is striving for increased domestic marketing and exporting. It has developed and commercialized the four-axis simultaneous-control Gantry robot, the annual production capacity is 300 units.

Samsung Aerospace Industries, after building and commercializing a four- axis horizontal multi-joint robot, developed and is supplying the Wiseman robot for use in assembling precision machines. Meanwhile, Hyosung Industries has completed and begun mass production of a conveyor robot using the AC servomotor and driver technology.

As for CNC [computer numerical control] equipment, which are CNC machine tools' core component, FANUC Japan, a joint venture with FANUC Korea, had controlled more than 90 percent of the CNC market in this country for 10 years since 1978. Most active with CNC development and sales of home products are Goldstar Industrial Systems Company, Goldstar Instrument and Electric Company, and Korea Industrial Electronics Company which completed its Ichon, Kyonggi Province, plant in 1989 and embarked on mass production of Korean-type CNC systems.

Daewoo Heavy Industries also decided to adopt home-produced CNC equipment for machine tools it builds in a bid to challenge FANUC. Goldstar Industrial Systems has virtually completed development in many fields of high-tech CNC machine tools including CNC unit, servomotor, and driver unit.

Goldstar Instrument and Electric Company developed and supplied one-axis CNC equipment. This year it developed a three-axis CNC controller. Hyundai Electrical Engineering Company has reinforced its CNC equipment business through a technological tie-up with the U.S. Miracron [name as published] company in Cincinnati. Tong-il Company, Limited is also pushing for home production of CNC equipment to be attached to processing machines it makes.

Among the CNC equipment makers in Korea, FANUC Korea reported 33 billion won in sales last year, Goldstar Industrial Systems 4.5 billion won, Korea Industrial Electronics 4 billion won, Tong-il 500 million won.

List of Promising Growth Items

	Through 1994	**1995-2000**
NC machine tools	high-level NC grinding machines NC machining centers large-type multi-axis machining centers NC gear processing machines	Machining centers superhigh-speed NC machine tools ultra-precision NC machine tools
Robots	Robots for high-speed and high-precision assembly work , robots for ARC, SPOT welding , conveyor robots	Flexible robots , intelligence robots , multi-function centrally-controlled robots.

New Materials (by Choe Ki-yong)

In the new materials industry, Korea is also seriously lagging behind the advanced countries. Experts are unanimous in saying that the lag is at least 10 years.

The domestic market is incomparably small in size. The world market was approximately $88 billion last year, of which the United States, Japan and European nations took more than 90 percent.

The domestic market was only about $2.9 billion or a mere 3 percent of the world market. In fact, it has continued to mark 27.4 percent in average annual growth since reaching $1.4 billion in 1987 but the gap with the world market size remains vast.

According to experts, however, the technological gap with the advanced countries can be narrowed rapidly if the government and businesses sharply increase their concentrated investments in R&D in the future. In their view, it can be narrowed to about five years over the next five years, and to three years over the next 10 years.

Technological Gap Narrowing Rapidly in a Decade

The new materials industry is an industry in which the value of investment is extremely high. As an industry for developing core materials to bring about technological innovations in frontier industries, it is very high in value added.

Furthermore, its impact on related industries is so broad that it is no exaggeration to say that its development largely determines the overall competitiveness of the nation's economy in the world markets. So much so that it is one of the vital, leading industries for the 21st century.

In addition, the world market is expected to grow up to a $360 billion level in the year 2000, a mouth-watering size to every country. Thus, the advanced countries are striving to reorganize their industrial structure with emphasis on frontier industries such as new materials, information and communications, biotechnology, and space and aeronautics, bringing on an unprecedented R&D investment race.

It is generally expected that the domestic market will also grow 20 percent or so over the next 10 years. As the interests and participation of businesses proliferate daily, it is anticipated that Korea's new materials industry will easily grow up to $19.1 billion or a 5 percent level of the world market in the year 2000. In the rate of self-sufficiency, too, some paint a rosy picture that the present 20 percent can rise to 70 percent in the year 2000.

However, development of new materials requires high technologies backed up by massive funding and highly trained technical manpower. Consequently, it involves many difficulties that cannot be overlooked.

Currently, domestically about 80 firms are producing new materials, about half of them concentrating on fine ceramics developments. Roughly speaking, new materials include new metals, fine ceramics, high polymer new materials, and composite materials. Of these, fine ceramics are the area where most vigorous development efforts are under way.

The direction of domestic technological development is toward lighter, thinner, shorter and smaller materials, technological fusion and information. The industry is focusing mainly on material development, application technology development, and assessment technology development to keep up with the general industrial development trends.

In the new metal area, developments are under way in the direction of either improving existing materials in their mechanical or heat function, or giving them new electric, electronic or optical quality.

In the fine ceramics area, the focus is on lowering the costs and improving the performance of existing materials, developing structurally high heat-resistant, high-intensity materials and materials with new functions, and on developing composites with other materials. Especially, energetic research is under way on new ceramics process technology, development of ceramics-type thermo-motor, and high-temperature superconductive ceramics.

As for high polymers, the industry is endeavoring for manufacturing technology for new materials and for new processing technology, with emphasis on high-performance, high-capacity high polymers. Particularly energetic research is under way on increasing varieties through high-polymer synthesis, on high polymers for information industry, and on high-polymer separating film.

In the composite material area, too, the industry is spurring development efforts, with emphasis on FRP [fiberglass reinforced plastic] and other high-performance reinforced materials and metallic plastics, and development of technology to obtain diverse physical properties through mixture, and of effective mould processing technology.

Generally, R&D efforts are going on vigorously in areas where commercial stakes are high and accumulation of basic technologies is needed.

However, the common opinion is that if the new materials industry is to make an epoch-making development, a number of realistic problems facing the industry must first be resolved. Among such problems are the industry's fragile structure, shortcomings in basic technology, inadequate R&D funding, and shortage of specialists. It is said that it is imperative that all these chronic impediments be removed first.

Home Production Rate 30 Percent in Equipment, Raw Materials

In fact, in R&D investment and the number of specialists, Korean companies are currently seriously behind their counterparts in the advanced countries, with R&D investment remaining at a 2 percent level of the sales and the number of researchers also at a 2 percent level of the total work force in this field. In contrast, the average levels in the advanced countries are far over a 5 percent line.

Furthermore, the rate of home production in new materials-related equipment and raw materials remains less than 30 percent. Especially, with major core equipment and raw materials, many of them still cannot be produced in our country, to say nothing of quality, leaving the new materials sector with no alternatives but rely desperately on foreign imports.

Businesses are facing a host of other bottlenecks in the process of developing the new materials industry. In addition to the difficulty in securing the needed technology, it is said that the required investment per unit of production is so huge that the required length of time from the success of a development project to commercialization is—in a moderate estimate—two years.

Therefore, businesses are strengthening industry-university joint research programs and training technical manpower persistently for the new materials industry development. At the same time, they insist that the government must step up its support in various forms. Their position is that full-cycle R&D programs—covering the entire process from basic research to industrialization—should be established as early as possible, that funds, manpower and technologies should be placed under rational, concentrated management, and that there should thus be strong, state-level support under longer-term development strategy.

Optical Industry (by Yi Che-kyong)

The advanced countries have entered a so-called optical industry era.

What is optical industry that came on the scene shoving away the machine industry and electronics? In short, it means parts, machinery and tools, and systems representing application of the nature of light. All these products are characteristic of superspeed, ultra-precision, and non-impact.

It was, after all, its well-developed optical industry that enabled the United States to defeat Iraq with such ease in the Gulf War. Also, as regards the highly controversial environmental issues these days, development of the optical industry will lead to environmentally safe life and an end to such controversies.

Expediting Commercial Optical Information, Optical Telecommunications

The optical industry can be divided roughly into four branches—laser, laser-related application apparatus, frontier image information apparatus, and optical materials and parts.

While the United States holds the unquestioned lead in laser technology, Japan is ahead in commercialization. In our country, Korea Laser is the top runner but its technological level is still in the fledgling stage. KAIST, the Institute of Standards and other research institutes have not yet come out of the basic experiments stage in this field.

Optical information apparatus and optical telecommunications represent the areas in which efforts are being made to expedite commercialization of laser application technology.

Domestically, the possibility of developing the optical telecommunications technology—in the optical LAN, optical VAN, optical transmitter and receiver, and optical fiber areas—is rated to be high.

Goldstar Cable Company and four other companies have so far advanced into the optical fiber industry. While still relying on imported technologies, they are in the stage of reexporting products.

With the optical transmitter and receiver, the circuit capacity is the point of contention. Domestically, the 90-mega class has been commercialized, while the 565-mega class production is to begin sometime this year. In other countries, however, the 565-mega class has been commercialized and production of the 2.5-giga class is imminent.

As for the optical LAN, it is being used only for small-size building but, due to a deficiency in economic effectiveness, is left unable to display its power. Nevertheless, plans have been drawn to develop large-scale systems in the near future.

In the optical information industry, Japan and the United States already put the bar code and optical disc to practical use on a preferential basis. They have also commercialized the laser printer to prompt an innovation in business automation.

In the domestic market dealing in the bar code reader which is about to be put to daily use, six companies are operating, including Korea Laser, but only two of them have production systems.

In the optical disc and laser printer areas, the first-phase goal in place calls for development of optical disc materials and system designing technology by 1994.

While the drought continues in the material processing and medical laser fields, Goldstar Cable Company succeeded last year in developing the 1.5KW carbon-dioxide laser. In the solid state laser field, too, the company turned out the 500W YAG laser, ending the nation's "no hit" record.

Nevertheless, our frontier industry manufacturing image information apparatus such as cameras and copying machines are making an inroad into world markets.

Following the technology transfer from Japan that controls the world camera market, Korean companies last year exported $55 million in "auto-focus zoom" cameras. Their goal for this year is $100 million.

However, they hit their limitations as the result of their lagging in the product designing technology—including lens designing—and remain unable to develop the super-high-speed shutter function. In fact, their highest possible shutter speed is one 500th of a second against Japan's one 8,000th of a second.

The Korean copying machine market has become rather crowded lately as the three home appliance firms joined the existing three in the race anew. The present situation is that the United States and Japan are building new-type copiers that are increasingly compact in size, have AI and color functions and copy on regular-type paper.

Optical materials represent another field we cannot afford to overlook, for it is impossible to expect the optical industry development, including laser, unless we develop optical materials for ourselves.

Development of photovoltaics like solar cells belongs to this category. Development of this field could lead to an era of household photoelectric generation.

Without development of the optical industry, it is impossible to produce memory-chips of more than 16 megabits in capacity. High-speed, diverse information and image communications would also be something impossible. Furthermore, the optical industry development is so essential that without it, it is impossible to expect developments of shipbuilding, auto, precision machine industries, space and aeronautics, and electronics.

The optical industry is so extensive in its pervasive effect. Therefore, in order to bring it up, a highly trained specialist force must be secured on a priority basis. It is emphasized that to that end, the required support measures should be implemented, including the opening of laser and optics institutes to train specialists, and assistance extended to KAIST and universities to turn out larger numbers of degree holders in this field.

Present Status of the Optical Industry

Item	Products	Major Korean Firms	World Levels	Domestic Levels and Development Goals
Laser	Gas laser, solid state laser, semiconductor laser, liquid laser, chemical laser, free electron laser	Korea Laser, research institutes including the Institute of Standards, KAIST, KIST, the Ministry of Energy and Resources, the Institute of Electronics and Telecommunications, institutes attached to universities	Ar ion laser 20W class	3W class
			He-Ne laser 40mW	5mW class.
Laser applications	laser for use in material processing	Goldstar Cable, Wonda Laser, Daewoo Heavy Industries, Samsung Aerospace Industries, Hyundai Heavy Industries, Tong-il	carbon dioxide laser 20kw class YAG laser 1kw class	1.5kw in carbon dioxide laser
	laser for medical use	Wonda Laser		YAG laser for medical use
	optical information (bar-code reader, optical disc device, laser printer)	computer firms, electronics firms, Korea Laser, Sammi Cable, Changmyong Engineering, Cheil Computer, Samsung Electronics, Goldstar Information & Telecommunications, Goldstar Cable, Daewoo Heavy Industries	bar-code reading system, R/W compact disc, long-wave length, single-mode fiber relay distance 150km	material processing, development of YAG laser for medical use planned for this year, parts being produced, processed, and assembled optical disc materials and system head developed in the optical information area fiber processing at international levels and relay distance 16km in the optical communication area.
	optical communication (optical LAN, optical VAN, optical transmitter and receivers, optical switchboard)			

Present Status of the Optical Industry (Continued)

Item	Products	Major Korean Firms	World Levels	Domestic Levels and Development Goals
High-tech image information apparatus	Camera	Samsung Aero Industries, Anam Precision, Dongwon Precision, Kum Sung Sa, Hyundai Electronics, Samyang Optics	AF SLR camera, shutter speed one 8,000th second in cameras	AFLS Korean models, shutter speed one 5,000th second
	Camcorder, SVC	The three companies producing home appliances	AF/lens/sensor/CCD in mass production	relying on foreign imports for core components in camcorders/SVC
	Copier	Sindo-Ricoh, Korea Xerox, Lotte Canon, the three companies producing home appliances	color copiers and AI copiers	heavy and slow-speed general-use copiers being produced.
Optical materials and parts		Doosan Glass, Kum-Kang Industrial, Yunam High-Tech		

Aviation Industry (by Pak Chong-yang)

The settlement on the type selection issue in the KFP (next-generation fighter) project set the stage for a leaping development in the nation's aviation industry.

In the KFP project, Korea initially settled for the FA-18 of McDonnell Douglas Corporation in late 1989 but, after a review and some turns and twists, recently reversed the decision and picked the F-16 of General Dynamics.

The reason the KFP project—basically a military aircraft project—has an impact so immense on the nation's aviation industry lies in the size of investment involved, which is huge.

The government plans to pour $5 billion into the next-generation fighter plane procurement and joint production over the 7-year period 1992-98.

Especially, the KFP project is to provide momentum to catapult the nation's underdeveloped technology onto epoch-making levels via processes such as joint production.

The nation's 10 year-old aviation industry has barely emerged from the fledgling stage. Being the most promising industry, however, we simply cannot afford to overlook it.

Parts Production Rapidly Increasing Every Year

The world market is expected to grow 5 percent in annual average in the 1990's to reach $140 billion in the year 2000. The trends are toward the United States and other advanced nations focusing on new supersonic airliners and other most forward areas, leaving parts and lower-class aircraft production to countries less advanced. For Korea, therefore, the industry poses a challenge worth taking up, fail or succeed.

A field extremely technology-intensive, the aviation industry is not only most powerful in upgrading industries structurally but also is high in value added.

While 40,000 to 50,000 parts are needed to build an automobile, which is regarded as a symbol of combined technology, an airplane is built with 600,000 to 700,000 parts connected in a sophisticated way. Accordingly, the pervasive effect on related fields such as electric, machine, electronics, material and computer industries is immense.

The rate of value-added of the aviation industry is 42.6 percent. Compared with the auto industry's 24.8 percent and shipbuilding's 36.6 percent, it is 1.71 times the auto industry and 1.16 times the shipbuilding industry. In employment effect, too, the aviation industry is 1.6 times the average of manufacturing industries; also, in the value of raw materials used per person, the aviation industry is less than a half (0.48) of the auto industry, according to analyses.

Therefore, enterprises in this country, showing deep interests in the industry, already have plans to make huge investments and build it into the mainstay of their business in the future.

For Korea dreaming of a place among the top 10 in the aviation industry in the 2000's, the KFP project will be its first test.

The reason is that our aviation industry, which for its short history has little accumulation in technology, can—through the KFP project—acquire advanced technologies and establish a foothold for independent future development and production.

Korea embarked on the domestic building of helicopters in 1978, the assembly production of fighter planes in 1982, and the domestic production of aircraft parts in the latter half of the 1980's.

Nevertheless, the domestic aviation industry remains in a seriously underdeveloped state compared with other industries. In fact, Korea is proud of being among the top 10 producing countries for electronics, auto industry and shipbuilding but, in the aviation industry, hovers around the 20th place of some 30 nations.

Especially, compared with such late starters as Taiwan, Indonesia and Brazil which have already entered their independent development phase and joined the ranks of semi-developed countries, Korea is lagging considerably.

The aviation industry development is roughly divided into six phases—maintenance, simple assembly, license production, joint production, independent development and production, and international joint development and production.

Korea came through the phases of maintenance on military aircraft and airliners, and of license production on helicopters and fighter planes, and is now in the phase of joint production, a stage of leaping development, according to various assessments.

Proceeding from the joint production of the Chekong-ho ["Win-Air"] fighter plane in 1982, Korea is now exporting parts and components ranging from large-type airliner engines to fuselages and electronic equipment. These exports, worth only $13 million in 1982, increased 9.3 fold to $121 million in 1989. Orders received for parts climbed even more steeply—as much as 38 times from $12 million in 1982 to $455 million in 1989, or by 68 percent in average annual growth.

Likely To Be a Major Parts Supply Base

Although Korea has reached significantly high levels in maintenance, parts processing, and sheet metal processing and molding technologies, it still remains at extremely basic levels in the designing and materials areas.

Initially, it began with competition among big businesses such as Samsung, Hyundai, Daewoo, Hanjin and Sammi. Over the KFP project, however, the government came up with its aviation industry specialization policy, leaving only three companies—Samsung Aerospace Industries, Korean Air Lines and Daewoo Heavy Industries—to be designated as specializing in the aviation industry and qualifying for official nurturing programs.

The sales by these three companies in the aviation industry last year were: Samsung Aerospace Industries 70 billion won, Korean Air Lines 53 billion won, and Daewoo Heavy Industries 18 billion won. The sales are expected to jump as the KFP project gets momentum.

These three companies have so far invested approximately 400 billion won in the aviation industry; in labor productivity and recurring profit, however, they still lag significantly behind the United States.

Meanwhile, the world market in the aerospace industry is currently estimated at $170 billion, of which the aviation industry accounts for approximately $70 billion.

The world aviation industry is basically led by military aircraft, with civil airliners occupying only 30 percent of the aircraft market. Among individual countries, the United States holds an absolutely dominant position by occupying approximately 70 percent of the world production and about 50 percent of the export markets. Meanwhile, the EC has continued to expand its shares, registering a 45.4 percent share of the export markets in 1987 and closing in on the United States.

Although the world aviation industries briefly experienced slow growth due to sluggish business from the oil crunch since the 1970's, a steady growth is forecast thanks to an anticipated gain in the demands for replacement airliners and military aircraft plus development of advanced aircraft.

In the case of our aviation industry, it is premature to discuss its competitiveness. But, riding the waves of technological accumulation from the license production of military aircraft—should the KFP project prove successful—and the trends of division of work in the world aviation industries, it is likely that Korea will emerge as the world's major supply base for aircraft parts.

Present Status of Aviation Industry Firms

		Unit: billion won				
Name	Founded	Total Sale		Aviation Sale		Aviation Investment
		1989	1990	1989	1990	
Samsung	August 1977	241.5	285.7	49.6	70	141.5
KAL	March 1969	1,557.4	1,710	36.8	53	152.5
Daewoo	October 1976	716.3	901	9.7	18	100

Brunei, Malaysia & Singapore

Malaysia

Cabinet Okays Palm Oil Credits for 3d World

BK0808112291 Kuala Lumpur BERNAMA in English 0929 GMT 8 Aug 91

[Text] Kuala Lumpur, Aug 8 (OANA-BERNAMA)—The cabinet has approved a plan to extend long-term credit facilities to Third World countries for purchases of Malaysian palm oil, Primary Industries Minister Dr. Lim Keng Yaik said Friday.

Only regular customers with a large population and foreign exchange difficulties would qualify for the credit, he added.

The countries would be required to sign a delivery contract of up to two years for a minimum of 300,000 tonnes yearly, he told reporters here.

Dr. Lim said the delivery price would be based on the Palm Oil Registration and Licensing Authority (PORLA) average monthly delivery price with an interest rate lower than that of the export credit facilities (ECR).

The ECR, managed by Bank Negara (the Central Bank), has a credit limit of 180 days.

It could also be guaranteed by the Malaysian Export Credit Insurance Bhd (MECIB) or backed by central banks of both countries on a government-to-government basis.

Dr. Lim said details of the credit facilities, approved during last week's cabinet meeting, were being worked out by the Central Bank and the treasury.

He did not indicate how many countries would benefit from the facilities but he said several of them, including the Soviet Union, India, and Pakistan had shown interest.

The credit facilities would also be extended to one or two countries in West Asia but not Iraq which was still subject to United Nations-led sanctions.

Iraq had a long-term palm oil contract with Malaysia prior to the Gulf war.

'Bright' Prospects Seen for ASEAN Trade Area

BK0808100191 Kuala Lumpur Voice of Malaysia in English 0800 GMT 8 Aug 91

[Station commentary]

[Text] An ASEAN free trade area is likely to come about by the turn of the century if various proposals that have been put forward by the member countries are integrated into one common concept. Thailand is reported to be taking the initiative in this respect. It was the Thai premier, Anan Panyarachun, who mooted the proposal for the free trade area, which is up for study at the forthcoming ASEAN economic ministers meeting in Kuala Lumpur in October as well as the fourth ASEAN summit to be held in Singapore in January. Thailand's idea is to integrate the other trade concepts like Indonesia's common preferential tariffs and the Philippines' proposal for an ASEAN economic treaty.

The free trade area concept raises the possibility of allowing the six-member ASEAN grouping to engage in the free flow of goods and services in the region without tariff or non-tariff barriers. Such a concept [words indistinct] especially binding agreements, is indeed worthy of serious consideration. The prospects of its becoming a reality within the decade are indeed bright as all ASEAN countries are of the same view that it is necessary to adjust and strengthen their economic development, particularly in the face of a single European market in 1992 and the North American free trade zone. There is such a situation in Thailand's concern, which is shared by the other ASEAN partners that many existing schemes, including the ASEAN industrial joint venture program have not been able to produce the desired results. A free trade area will be more effective in strengthening economic cooperation among the member countries.

It is recognized that the developed world is drawing closer to ASEAN because of its economic achievements in recent years. In fact, the ASEAN region has come to be considered the most dynamic region in the world in terms of economic development. This is reflected in the eagerness of its dialogue partners to hold discussions on all levels of economic and trade cooperation. The fact that there are other countries that have expressed interest in joining the list of ASEAN's dialogue partners is also a clear indication of their recognition of the region's rapid economic growth rate.

It is plain, therefore, that ASEAN collectively is moving in the right direction and should continue to do so. What ASEAN is concerned about is how much the dialogue partners are able to contribute in terms of investment and technology transfer. In this regard, ASEAN governments have clearly expressed their readiness to provide all forms of necessary incentives to foreign corporations. ASEAN, without a written charter or constitution, has been able to make significant progress through mutual cooperation and collaboration. The respective governments of the member countries are chiefly interested in providing a better life for their citizens. Having become a distinctive organization on the international scene, the free trade area concept merits serious consideration it deserves.

Vietnamese Return Home Under Voluntary Program

BK0708143691 Kuala Lumpur Radio Malaysia Network in English 1330 GMT 7 Aug 91

[Text] One hundred and forty five Vietnamese boat people left Malaysia for Ho Chi Minh City under the UNHCR voluntary repatriation program.

UNHCR official Marion Hoffman said to date, 581 Vietnamese boat people had been voluntarily repatriated. Latest batch are 110 men and 35 women, who had been staying in Malaysia between 10 months and two years, including six babies born in the country.

There are still 12,930 Vietnamese boat people living in Malaysia with the majority of them staying at the Sungai Besi transit camp, and the rest in Pulau Bidong camp.

Commentary Urges 'Muslim Solidarity'

BK0708103791 Kuala Lumpur Voice of Malaysia in English 0800 GMT 8 Aug 91

[Station commentary]

[Text] The 45-member country Organization of Islamic Conference [ICO] is widely accepted as the voice of Muslims the world over. Currently it is meeting for the first time in Turkey after the Gulf war.

The Gulf war has been a trying time for the ICO and the very many Islamic member nations. For one thing, the war had divided the "ummah" [Muslim Communities]. It also brought to surface the communities' internal contradictions, conflicting loyalties, confusion, errors of judgement, and political exploitation. Also the ICO could not even arrange a meeting of its member countries to deliberate on the war. Fortunately the war was relatively short-lived. Now that the crisis is over in the Gulf, the ICO will have to rebuild it's reputation and get its house in order. Most importantly, it should use the current summit to examine its shortcomings and decide on ways to put them right. This calls for the organization to whip up greater enthusiasm among its member states and obtain from them effective political commitment.

The ICO should set the lead in giving real meaning to Muslim solidarity and unity of purpose. Malaysia strongly feels that Muslims should re-establish trust and confidence among themselves. Foreign Minister Datuk Abdullah Ahmad Badawi hit the right note when he said that it was now time for reconciliation. Together Muslims could speak with a strong voice in addressing problems facing them.

Also, the war had to a certain extent relegated the Palestinian problem. This should not be the case. It is urgent that the long-standing Palestinian issue be settled as soon as possible with the war now over. However, it should be pointed out that the approach to resolve the issue must be within the framework of the United Nations Security Council resolutions. This means that any negotiation on the issue must be held with the full participation of all parties, including the Palestine Liberation Organization, PLO,—the sole legitimate representative of the Palestinian people.

In building up Muslim solidarity and cooperation, economic cooperation provides a very important base. It could provide tangible and direct results that could be readily appreciated by the "ummah". It could become the stimulus for other forms of cooperation. This being the case, the ICO needs to pay greater attention to the creation of a conducive climate for such activity. This means ensuring that there is neither preparation for nor expections of war between two or more countries in the Muslim world.

Malaysia has shown that Islamic values could be inculcated in a mixed society of Muslims and non-Muslims, and be accepted by all. On the economic front, a financial system based on Islam including a bank, an insurance firm, and hire purchase and other loan facilities, is gaining ground steadily. The Malaysian experience is ample proof that Islam is the contemporary religion, and could make a positive contribution to modern day development of a nation.

If Islamic nations could come together in this than in other aspects, there is no reason for them not to move ahead, even more important is that sincere Muslim unity could prevent conflicts and tragedies such as that brought on by the Gulf war.

Singapore

Prime Minister To Call Early General Elections

BK0608073891 Singapore THE STRAITS TIMES in English 5 Aug 91 p 1

[By Bertha Henson]

[Excerpt] The Prime Minister yesterday served notice that he would be calling an early general election to seek a mandate to carry out the government's programmes outlined in the book Singapore: The Next Lap.

Mr. Goh Chok Tong said that he has been persuaded by his cabinet colleagues and community leaders to change his mind about holding elections at the end of 1993, when the full five-year term of parliament expires.

"I have been thinking it over and I am accepting their advice. I am now inclined towards holding elections way before 1993," he said.

Speaking at a dialogue with Cairnhill community leaders, he said that he had at first intended to go the full-term so that the government could be assessed on its record.

But since he began his round of community visits in June, his Cabinet colleagues and community leaders had suggested that he consider holding an early election.

"Their reason is this: We have announced the Next Lap. They advised me to seek a clear mandate from the people on our plans and programmes. And if we get a clear mandate, we can implement our programmes quickly, vigorously and effectively."

Cited as the People's Action Party [PAP] manifesto, the book Singapore: The Next Lap outlines the government's agenda for the next 25 years or so.

Mr. Goh's remarks were in response to a query from retired school principal Pakir Maidin, 57, who asked the Prime Minister point-blank if he was intending to hold a general election soon.

The community leader cited the present healthy economy, the government's handsome offer of three months' bonus for civil servants, the community visits and the impending release of the report of the Electoral Boundaries Review Committee as signs that an election might be round the corner.

Since 1968, the People's Action Party has never gone the full five years before calling for a general election, preferring to hold it one year ahead.

Except for 1988 when the election was held in September, the usual practice is to hold in during the December school holidays.

Going by what several MPs [members of parliment] said yesterday, a December election appears remote given that the party would need time to mobilise the ground.

But the government has shown that it is capable of springing surprises, as it did in 1988 when the September date caught Singaporeans, including MPs, offguard.

Asked by reporters later to give more details, Mr. Goh made it clear that he did not intend to reveal anything else.

But what have been revealed are that the PAP has started to screen candidates for the election and Mr. Goh, who is the PAP's first assistant secretary-general, has pinpointed education, transport and health care as election issues.

As it will be his first election as Prime Minister, the results will be viewed as the people's vote of confidence in Mr. Goh as the leader and reflect the extent of their support for his participatory style of government.

These were subjects which cropped up time and again at yesterday's dialogue at Cairnhill community centre.

Mr. Goh told his audience that he did not intend to measure himself against former Prime Minister Lee Kuan Yew, nor did he wish to "wear Mr. Lee's shoes."

He noted that they were both different types of leaders with different governing styles calculated to serve the needs of different electorates.

While Mr. Lee came to the fore during the turbulent days of Singapore, Mr. Goh was inducted into the leadership, backed by his cabinet colleagues and party cadres. He now had to garner the people's support for his policies.

Mr. Goh also noted that both men had different agendas to fulfill, which were shaped by the circumstances which Singapore faced and the nature of the electorate.

While Mr. Lee had to fill Singaporeans "stomachs," he had to fill their "pockets," he said.

So Mr. Lee adopted a tougher style to achieve his goals, while Mr. Goh preferred to give Singaporeans more room to express themselves.

"I know younger Singaporeans are comfortable with me but the older generation are a bit uneasy. They are more conservative. They think I am liberalising too much."

While he would have the final say over policies, Mr. Goh stressed that he would continue to tap Mr. Lee's political experience and use the Senior Minister as a sounding board for new initiatives.

During his one-hour dialogue, Mr. Goh also made it clear that he was not about to change basic policies to garner support for the election.

He would be capping the limit on foreign workers although opening the gates would make him very popular. [passage omitted]

Japanese Investments Cut by Over Half in 1990

BK0708094491 Singapore THE STRAITS TIMES in English 6 Aug 91 p 40

[Text] Singapore saw the biggest fall in Japanese investments last year compared to its ASEAN neighbours and other newly-industrialising economies (NIEs).

While the Japanese halved their direct investments in the Republic from US$1.9 billion (S$3.26 bilion) in 1989 to US$840 million last year, they pumped more money into Malaysia and Indonesia—mostly in industrial and infrastructural projects.

In three other countries—Hongkong Taiwan, and Thailand—their investments eased by between 6 per cent and 10 per cent.

However, the 56-per cent drop Singapore experienced can be attributed in part to the fact that Japanese investments in 1989 were exceptionally high, some 2.5 times higher than in 1988.

This was because of the major property deals such as Sogo's purchase of the Paragon for $690 million [currency not specified], and the more than $300 million that Takashimaya paid for its share in Ngee Ann City.

But Newsweek magazine also explained in its latest issue that the economic troubles in Japan last year—the property market slowdown and the plunge in the Tokyo bourse—"slowed the flow of money somewhat".

It was also harder for them to obtain loans as domestic banks tightened up on credit.

Japanese investmens began to quicken in the mid-1980s when the value of yen shot up, reducing the international competitiveness of Japanese firms and forcing many to move overseas.

In the last five years, Newsweek said, Japan has pured US$26.8 billion into Asia's fastest-growing economies.

Meanwhile, some analysts here said it is not clear yet if the financial scandals now hitting Japan will cause a slowdown in direct investments in the region.

Cambodia

Analysts Warn of 'Plot' To Derail Talks

BK0708120491 Hong Kong AFP in English 1125 GMT 7 Aug 91

[By Erskine McCullough]

[Text] Bangkok Aug 7 (AFP)—American intelligence claims that Pol Pot secretly attended Cambodian peace talks in Phatthaya last June could be part of an elaborate disinformation campaign to derail the rush towards peace, analysts warned here on Wednesday.

They say the timing of the Pol Pot report and the release last month of pictures purporting to show American MIAs still alive in Cambodia and elsewhere in Indochina raised serious suspicions that such a plot existed.

The Pentagon has already denounced several of the photos as fakes, saying they were really of Russian workers and taken from a Soviet magazine found in a Phnom Penh library.

The Pol Pot story, carried in the ASIAN WALL STREET JOURNAL, has been greeted by widespread skepticism by diplomats and other observers who attended the Phatthaya meeting.

According to the paper, quoting American intelligence sources, Pol Pot checked into the exclusive Royal Cliff Hotel in secret to direct personally the Khmer Rouge talks with the three other Cambodian factions who were also staying there.

The outcome of the meeting was a major breakthrough with an agreement for the Supreme National Council (SNC), made up of all four factions, to set up their offices in Phnom Penh later this year.

The agreement allows the Khmer Rouge, who slaughtered hundreds of thousands of Cambodians during their bloody four year reign, to return to the capital for the first time since being overthrown by a Vietnamese invasion in 1978.

Analysts here say that the sudden mad dash for peace by the Cambodian factions, being pushed along at breakneck speed by Prince Sinanouk, has alarmed the powerful anti-communist Vietnamese lobby in the United States as well as some members of the U.S. Administration who are in no rush to see a normalisation of relations with Vietnam.

The U.S. Government, in their "road map" for the normalisation of relations, listed peace in Cambodia and a solution to the emotional MIA issue as two key elements.

"Just as things seemed to be going along perfectly, suddenly we have the MIA photos turning up and no sooner is that knocked down than the Pol Pot story pops up. Both MIAs and Pol Pot are two very emotional subjects in the United States and could force the U.S. Government to back off because of public pressure," said one analyst.

"The timing of these two stories is very suspect. As for Pol Pot the Americans have known since his overthrow by the Vietnamese that he is still running the Khmer Rouge despite Khmer Rouge claims that he has retired.

"To suddenly leak a story that he is the man in charge when it has been known to all and sundry involved in the peace talks, is odd to say the least," added the source.

There has also been reported concern in America about the decision by China and Vietnam, long-time bitter enemies, to move towards normalisation and to come to an agreement over Cambodia.

China has been the arms supplier for the Khmer Rouge and Vietnam has been the power behind the Phnom Penh government despite their official withdrawal from Cambodia in 1989.

Analysts say that fears the two countries might ignore the United Nations plan for a comprehensive solution in Cambodia, which would include free and fair elections, and instead install the SNC or a similiar body to run the country without elections, could also be one reason for a disinformation campaign. Some diplomats closely following Cambodia dismiss that the so called "red solution" would ever be accepted by the United Nations but observers warn that with China and Vietnam in agreement the need for the U.N. peace plan would become redundant and the two non-communist guerrilla factions irrelevant.

The SNC is to meet later this month in Phatthaya in their final meeting before setting up shop in Phnom Penh.

"They have a lot of serious talking to do now that the early euphoria of the last meeting has worn off. A picture of just how things are heading should become clearer then," said one diplomat.

U.S. Congressman Carper Arrives for Visit

BK0808065891 Phnom Penh SPK in English 0415 GMT 8 Aug 91

[Text] Phnom Penh SPK August 8—A U.S. Congressional delegation arrived here on Wednesday to discuss the problem of American servicemen listed as missing in action in the Indochina war and the process of a peaceful solution in Cambodia.

The delegation, led by Thomas Carper, Democrat congressman, was met at Pochentong airport by Deputy Foreign Minister Long Visalo.

During its two-day visit from 7-8 August, the delegation is scheduled to have talks with Foreign Minister Hor Namhong and visit some interesting places in Phnom Penh.

This was the fourth visit to Cambodia by U.S. Congressmen since early this year.

Hor Namhong: ASAHI SHIMBUN Interview

BK0808094791 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 0430 GMT 8 Aug 91

[Text] On 1 August, Comrade Hor Namhong granted an interview to reporters from Japanese paper ASAHI [SHIMBUN]. The comrade minister told his guests that the recent results achieved in Phatthaya and Beijing have created a basis for consolidating the peace process. The comrade minister specified that the forthcoming meeting of the Supreme National Council [SNC] (?will focus on) on three remaining issues, including the issues of genocide, Armed Forces, and Cambodia's sovereignty.

The comrade minister said the State of Cambodia's SNC delegation is ready to compromise in order to reach an agreement. However, in order to achieve a solution, the other side should also adopt this compromise stance, meaning that the two sides should make concessions [words indistinct].

Concerning Cambodia's sovereignty, the comrade minister told his guests that even in the draft agreement of the five major powers it is stated that the SNC is the supreme and sole representative of Cambodia's sovereignty. In conformity with this view, all the issues relating to Cambodia's sovereignty should be solved by the SNC without any other supreme body having the final say.

On Japan's role, the comrade minister thanked the Japanese people and Government for organizing the meeting in Tokyo, which provided the basis for the establishment of the SNC's composition. The comrade minister also stressed Japan's role in the search for peace in Cambodia because Japan is a major power in Asia and should therefore play an appropriate role.

Concerning Japan's role in UNTAC [UN Transitional Authority in Cambodia], the comrade minister said in principle the State of Cambodia has no objection on this issue; it is up to the UN Secretary General to decide. However, UNTAC composition should be neutral and balanced.

On the result of the visit to China by the State of Cambodia's SNC delegation, the comrade minister told his guests that Chinese Prime Minister Li Peng received all SNC members. Afterward, the State of Cambodia's SNC delegation held talks with the Chinese Foreign Minister.

Heng Samrin, Hun Sen Greet Cuban Counterparts

BK0808072191 Phnom Penh SPK in English 0419 GMT 8 Aug 91

[Text] The party and state leaders have warmly greeted their Cuban counterparts on the 38th day of national rebellion of the Republic of Cuba (July 26).

In their joint message to Fidel Castro, first secretary of the Communist Party of Cuba Central Committee and president and prime minister of Cuba, President Heng Samrin, who is also general secretary of the People's Revolutionary Party of Kampuchea Central Committee; and Prime Minister Hun Sen said:

"On behalf of the Cambodian party, Government, and people, and in our own names, we highly appreciate all the substantial achievements recorded by the Cuban people under the leadership of the Communist Party of Cuba, especially in national defense and in building Cuba along the path of socialism.

"We hope that the Cuban people with creativeness will obtain new successes in their just cause in conformity with the present situation in Cuba despite changes in the world situation."

The Cambodian leaders wished for further consolidation and development of the friendly and cooperative relations between the parties, Governments, and peoples of Cambodia and Cuba.

Hor Namhong Receives Outgoing Ambassador

BK0708120391 Phnom Penh SPK in English 1100 GMT 7 Aug 91

[Text] Phnom Penh SPK August 7—Foreign Minister Hor Namhong received here over the weekend Bulgarian Ambassador to Cambodia Gancho Ganchev [name as received], whose term of office is to expire.

Foreign Minister Hor Namhong highly appreciated the Bulgarian Ambassador's mission in Cambodia, which, he said, had actively contributed to promoting the friendly and cooperative relations between the two peoples.

Hor Namhong asked him to convey the profound thanks of the Cambodian Government and people to the Bulgarian Government and people for their support and assistance to Cambodia since 1979.

He expressed the hope that the friendly and cooperative relations between Cambodia and Bulgaria would be further developed.

Gancho Ganchev thanked the Cambodian Government for having created favourable conditions for him to fulfil his diplomatic mission in Cambodia.

He said during his mission here he clearly understood the reality in Cambodia and contributed to the development of Bulgaria-Cambodia friendship and cooperation.

He voiced full support for the policy of national reconciliation of the Phnom Penh government and said he was optimistic that the Cambodian issue would be settled in an [words indistinct].

Importance of Party, Political Work Extolled

BK0708104591 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 6 Aug 91

[PRACHEACHON editorial, date not given: "The Party and Political Work is the Driving Force for Strengthening and Developing Army Units"]

[Text] What we really need in order to strengthen and develop the Armed Forces is the party and political work. The party and political work in the Armed Forces constitutes a most powerful driving force. Without constant attention to regularly carrying out this work, one can be sure that the unit or locality in question remains weak and can never become strong or dynamic.

Under the leadership of the Kampuchean People's Revolutionary Party, enjoying the keen attention of party and administrative committees at all levels and with the people's participation in the army building, we have been able to set up the three categories of Armed Forces, including the regular, regional, and militia forces, as well as other expert groups in all sectors, such as the people's police, taking the political and ideological training as the basis, the party expansion as the core, and cadre formation as the key. As a result, our Armed Forces have grown up rapidly as far as the political, ideological, and organizational fields are concerned.

At the present, our armed forces have contributed to creating the strategic military advantage over the enemies. This shows that the ideological work is a principally important undertaking and that it is part and parcel of the party and political work in the building of the Cambodian People's Armed Forces. For this reason, units from the center down to the grassroots have paid close attention to providing cadres and combatants with an active regimen of political education and ideological indoctrination.

Through both long- and short-term training courses, our Armed Forces have been able to clearly determine the strategic objective of our party, to differentiate friend from foe, to get acquainted with the latest developments, and to become more resolute in the task of firmly defending the motherland.

Concerning the organizational work, we have set up the networks of party organs in the Armed Forces from the Central Party Military Commission down to party chapters. There are now party members in most of the battalions, the district's military offices and bureaus, and even companies and the party organs at all levels are gradually enhancing their leading proficiency. We have rapidly broadened the party expansion work, producing many outstanding model individuals. The networks of party organs at all levels and party members as a whole have taken deep rooted among the masses.

Moreover, the party and political work has played an important role in all undertakings, from cadre formation, the discharge of logistic, technical, and financial tasks, policy propagation, and security work to mass proselytization.

The following units have been outstanding in fulfilling this duty: The 5th Military Region; the Armed Forces of Battambang Province, the 4th Division, the 196th Division, and so on; the 4th Military Region; the 179th Division, the 286th Division, the 6th Division, the Armed Forces of Siem Reap-Oddar Meanchey Province, and so on; the Armed Forces of Prey Veng, Svay Rieng, and Kompong Cham Provinces, and so on.

Now as well as in the future, the enlargement of the scope and grasp of understanding for the Armed Forces is a most necessary and urgent factor. In the past, we encountered difficulties and shortcomings because we looked down on this task. The new stage of our struggle has presented us with new favorable conditions. In the military field, we have an edge over the enemies, but our party and political work has not been up to standard yet. The enemies certainly have not yet given up their stubborn and tricky nature.

As a foundation for political and ideological indoctrination and a basis for firm organizational undertaking in the Armed Forces, the party and political work bears an even more essential significance. It can be said that all levels and sectors are bound by duty to mobilize the combined forces and regularly accelerate the party and political work. It should be understood that this is a common task for all of us. It is imperative to pay close attention to organizing and offering political and technical courses according to well-defined programs and to the prevailing conditions of each unit. The military regional level should sponsor training courses for divisions and regiments. The division and provincial level should organize courses for battalions and companies. The regimental and district level should offer courses for their subordinate cadres and combatants, seeing to it that all the Armed Forces receive proper training.

It is imperative to continue paying attention to building the party, vigorously increasing the quality of the ranks of party members, and enhancing the efforts to build and expand the party and youth unions under all circumstances. The party committees and the military commands at all levels should heighten their sense of leadership and responsibility by continuing to improve on the party and political work within the Armed Forces. With success in this endeavor, our Armed Forces will be gradually developed, and our position of strength will be maintained forever.

Phnom Penh Calls for Trial of Pol Pot Clique

BK0808042791 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1300 GMT 7 Aug 91

[Station commentary: "Pol Pot's Nature Has Not Changed"]

[Text] On 27 July, the Pol Pot group [words indistinct] in Svay Chek District and (?plundered) a Naga statue and five bronze bulls and took them to a village on the border.

This is neither the first nor the last act of the Pol Pot clique. This did not take place accidentally but was deliberate and well-planned because (?on that day, clearly realizing the cease-fire violation), our Armed Forces stationed in the area fought for four hours to get back the nation's priceless property. However, the Pol Pot clique used heavy artillery support fire to cover its activities to destroy the national heritage.

People still remember that during the three years and eight months of its rule, the Pol Pot clique not only massacred, tortured, starved, and forced people to work to exhaustion, it also tried to destroy the national heritage through every means. Valuable ancient temples have been dug up and stone slabs with decorative carving have been used (?as dam foundations). Monasteries, monk's cells, religious buildings, books, and documents have been burned and were almost completely destroyed. Buddha statues have been smashed to pieces in order to pave roads.

All these are maneuvers to eliminate the Cambodian race through the massacre of the people and the elimination of its national culture and traditions, which are the nation's soul. Ever since the 17 January 1979 Liberation Day, when our people, under the correct and astute leadership of the Kampuchean People's Revolutionary Party, have been striving to rebuild and restore every sector, the Pol Pot clique still nurtures the ambition of achieving its genocidal policy. This group has sneaked in to shell monasteries, schools, and hospitals, cut bridges, and ambushed buses and trains in order to destroy and decimate social and national achievements. Most seriously, in the past dry season, the Pol Pot clique insanely fired artillery shells on Banan temple in Banan District, Battambang Province, causing damage to a large part of this fine temple. Is this the Pol Pot clique's nationalist idea? Is this group not ashamed at the fact that foreigners and many international organizations have made efforts to provide means and finance to repair these temples?

Everyone knows that our nation's temples belong not only to the Cambodian people but also to the stock of mankind's cultural property. For this reason, through the State of Cambodia's appeal, many countries—for example Japan, the United States, Canada, Australia, France, UNESCO representatives, Poland, India, and the Soviet Union—have provided assistance and support through every form to restore our country's temples. Recently, at the meeting in Phatthaya, the Cambodian Supreme National Council also sent a message to the UN secretary general to include the Angkor temples in UNESCO's list of the world's heritage.

However, the Pol Pot group, whose members boast of being nationalists, instead try by every means to destroy this. This group, unable to burn down or bring down a temple, dig up and remove various sculptures. These people do whatever they can to eliminate the nation's cultural heritage. The plunder of the Naga statue and the bronze bulls at Prasat Pheas temple by the Pol Pot group shows that this group's savage and barbarous nature has not changed at all. Although this group is currently being defeated on the military battlefield and isolated in the international arena, Pol Pot remains Pol Pot.

Therefore, our people would like to remind the national and foreign public that the Pol Pot of the 1990's is no different from the Pol Pot of 1975. Thus, our people again and again request that effective and most concrete measures be taken to prevent the return of this infamous regime. At the same time, our people demand that an international court be set up to try the genocidal regime's ringleaders and cooperate in eliminating the source that could resurrect the genocidal regime.

Hun Sen Attends Meeting in Kandal Province

BK0808071791 Phnom Penh SPK in English 0420 GMT 8 Aug 91

[Text] Phnom Penh SPK August 8—Prime Minister Hun Sen attended Wednesday the seventh conference of the Kandal Party Commitee and a meeting of the provincial people's committee to review its work in the first six months.

After recalling the process of a political solution to the Cambodian problem, Hun Sen spoke of the fundamental tasks facing the province at present, especially in the military and security spheres as well as in socioeconomic development. He recommended the local cadres and people to do their best to safeguard the current revolutionary gains in the province and contribute to national reconstruction.

During the two-day conference on August 5-6 the participants heard reports by the party committee and the people's committee on their work in the first half-year and on the objectives for the second half of this year.

Indonesia

Travel Ban to China Rescinded by Government

BK0708114691 Jakarta ANTARA in English 1107 GMT 7 Aug 91

[Text] Jakarta, Aug 07 (OANA/ANTARA)—The issuance of immigration documents for Indonesian citizens willing to travel to China mainland has since July 29 been fully transferred to the Directorate General of

Immigration, and they no longer need security clearance, it was announced here Wednesday.

Minister/State Secretary Murdiono told newsmen here that under a Presidential Decree dated 29 July, Indonesians are now allowed to visit China and vice versa on condition that they meet the visa requirements of their respective countries.

Murdiono said the decree overruled an earlier one that restricted visits to China and visits by Chinese to Indonesia to certain businessmen, those attending U.N.-sponsored conferences and participants in sports events.

Murdiono said the decree would also allow Chinese citizens to apply for visas at all Indonesian diplomatic posts abroad, not only from Hong Kong and Singapore as had previously been the case.

Under the new decree, Indonesians wishing to visit China will no longer have to get special security clearance, Murdiono said.

Meanwhile, Director General of Immigration Roni Sikap Sinuraya said however, their port of entry will be limited to the airports of Jakarta, Polonia in Medan, North Sumatera and Ngurah Rai in Denpasar, Bali and the seaports of Jakarta, Medan, Surabaya in East Java and Ujungpandang in South Sulawesi.

Jakarta and Peijing ended a 23-year hiatus in their relations when they resumed diplomatic ties on August 8, 1990. Indonesia froze relations with China in 1967 after accusing China of complicity in a failed coup attempt two years earlier.

PRC Official Visits To Evaluate Cooperation

BK0708110591 Jakarta ANTARA in English 0941 GMT 7 Aug 91

[Text] Jakarta, Aug 07 (ANTARA)—Indonesia and China should enhance trade relations since the two nations, among other countries grouped in the Pacific rim, have enjoyed a tremendous economic development, an official of the Indonesian Chamber of Commerce and Industry (KADIN) said here on Wednesday.

H. Budiharjo, the Chairman of KADIN's Chinese Committee, said that both China and Indonesia could benefit mutually because the two countries have abundant basic materials and, potential human resources.

Proximity is another advantage, said Budiharjo while receiving Deputy Chairman of the Chinese Committee for the Promotion of International Trade (CCPIT) Ciu Yushan.

Ciu's visit to Indonesia, his third, is to evaluate how far trade cooperation between the two countries has developed.

During his 10-day stay here, Ciu is scheduled to meet and have talks with a number of Indonesian businessmen since the signing of memorandum of understanding in Singapore in 1985 and the normalization of diplomatic ties last year, trade and economic relations between Indonesia and China have developed rapidly [as received].

Ciu said that although the two countries have great economic potency, bilateral trade relations were still complementary in nature, that is "Fulfiling each other's need for raw and basic materials as well as technology".

"But this is already a good sign for further economic development and cooperation between the two countries," Ciu stated.

He also said that China's open-door policy has borne good fruits to the country's overall economic growth.

Citing that China's growth had reached more than 10 per cent during the 12 years open-door policy, Ciu said that his country's national income was up by 16 per cent and industrial growth was recorded at 20 percent.

Around 26,000 foreign companies, including some from Indonesia, have invested in China with a total investment of four billion U.S. dollars, Ciu said.

Irish Defense Ministry Purchases Aircraft

BK0708124191 Jakarta ANTARA in English 0941 GMT 7 Aug 91

[Text] Bandung, Aug 7 (ANTARA/ECOANA)—The Irish Defence Ministry has ordered three CN 235 maritime patrol aircrafts produced by PT. Nusantara Aircraft Manufacturing Industry (IPTN) in cooperation with CASA of Spain, from Indonesia.

A PT. IPTN public relation official said on Tuesday afternoon the aircraft would be used by Ireland for maritime patrol in place of the Super King 200 made by Beech Aircraft Co.

The CN 235 was chosen after a technical and economic selection process and comparision with other aircrafts of the same class, such as Dornier 228, Boeing de Haviland Dash-8, British Aerospace Jetstream, Fokker 27, 50 and Saab 340.

General Wants Opposition Figures in Cabinet

BK0808073591 Hong Kong AFP in English 0407 GMT 8 Aug 91

[Text] Jakarta, Aug 8 (AFP)—A senior Armed Forces general has called for the cabinet of ministers to include figures from all of Indonesia's three political parties rather than just the majority party, the MERDEKA daily said Thursday.

"Nowadays ... it is time for us to open the door as wide as possible to include members of (other) political parties into the cabinet," Lieutenant General Harsudiono

Hartas, chief of the Armed Forces' socio-politics department, told a national seminar on politics here Wednesday.

Harsudiono said the move would allay accusations that Indonesia had a one-party government, MERDEKA said.

President Suharto's 38 cabinet ministers are all members of Golkar. The two other recognized political parties, the quasi-Moslem United Devlopment Party (PPP) and the Democratic Party of Indonesia (PDI), an alliance of Christian and nationalist, are not represented.

However, Harsudiono said that once appointed as minister, a person should shed his party affiliation and become "the property of the whole nation."

In the past, government ministers have always campaigned for Golkar during elections.

He said all three political parties had now complied with a 1985 government regulation requesting them to adhere to the country's state ideology Pancasila, or five tennets: belief in one god, humanitarianism, national unity, decision making through consensus and social justice.

Under Indonesian laws, the president appoints his cabinet soon after his own election on the year following the five-yearly parliamentary elections. The next parliament, to be formed according to the results of the election in 1992, will choose a president and a vice president in 1993.

President Suharto, 70, who has ruled since 1967, has never reshuffled his cabinet mid-term. He has given no clear indication whether he will run again in 1993.

Laos

'Sources' Say National Assembly To Make Changes

BK0808013191 Bangkok THE NATION in English 8 Aug 91 p A3

[Text] Prime Minister Kaysone Phomvihan will be officially elected president, replacing Prince Souphanouvong at the Lao People's National Assembly's meeting starting today but would retain administrative powers, following the Soviet pattern, well-placed sources said.

The sources said Kaysone who also heads the Lao People's Revolutionary Party (LPRP) would be replaced by Deputy Prime Minister and Defence Minister Khamtai Siphandon in a minor cabinet reshuffle to be officially announced at the meeting.

The cabinet reshuffle followed a purge in the party's politburo, the party's highest decision-making body. During the 5th party congress held in March, the party's four oldguards including Prince Souphanouvong were removed from the politburo, giving way to new blood.

The sources said the expected list of cabinet reshuffle would see Minister for External Economic Relation Khamphoui Keoboualapha taking Khamtai's place. Phoun Sipaseut will retain the foreign minister's post.

Armed Forces Chief of Staff Sisavat Keobounphan would become Minister for Agriculture and Forestry, said the sources who added that his post as Vientiane governor would be taken over by his deputy Siho Bannavong.

The sources said the cabinet shakeup would affect the number of deputy ministers which would shrink to suit the streamlined administrative system adopted at the party congress.

Deputy Foreign Minister Soubanh Salithilat was expected to be removed and reappointed Laotian ambasssador to Washington, according to the sources.

The four-day meeting which will end on Sunday is expected to ratify the amendment to the Constitution in which the current political system would be adjusted along the lines of that in Soviet Union, according to the sources.

In the recent Soviet political reform, President Mikhail Gorbachev was renamed the party's president and was given more administrative powers.

According to the Laos' present administrative system, the president is regarded as a ceremonial figure with the prime minister being both the party secretary general as well the head of the government.

An Asian diplomat commented that Kaysone's increased powers suggested the party's continued grip on the country's administration and also reflected the oldguards' worries that the party's younger generation might not be ready to properly carry on with the ideological path they had laid out.

Vice Chairman Meets U.S. House Delegation

BK0808105691 Vientiane KPL in English 0922 GMT 8 Aug 91

[Text] Vientiane, August 8 (KPL)—Vice president of the People's Supreme Assembly [PSA] Thongsing Thammavong yesterday received a visiting delegation of the U.S. House of Representatives led by Mr. Thomas R. Carper, member of the House.

During their meeting, which proceeded in an atmosphere of good and mutual understanding, the PSA vice president appreciated the delegation for their visit to Laos, which represented a contribution to the development of relations and cooperation between the Lao and American governments, especially between the legislative bodies of the two countries.

The host and his guest on the occasion exchanged views concerning the cooperation project between the two governments for narcotics suppression, other American assistance projects and the humanitarian cooperation in searching for the remains of Americans missing in action in Laos during the wartime.

The delegation of the U.S. House of Representatives left here yesterday on a visit to Cambodia and then Vietnam ending its 2-day visit to Laos.

Misled Hmong People Return in Luang Prabang

BK0708092091 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 7 Aug 91

[Text] The social welfare service of Luang Prabang Province in late July sent an amount of material aid worth over 1 million kip to facilitate the resettlement of 57 Hmong people who formerly were misled by the exiled reactionaries and decided to return to their villages. The assistance, including over two tons of rice, clothes, and agricultural tools, was handed out in line with the party's and state's policy toward the misled people who surrender to the administration in localities.

Fruit Tree Cultivation Plan Signed With FAO

BK0808114491 Vientiane KPL in English 0934 GMT 8 Aug 91

[Text] Vientiane, August 8 (KPL)—The Food and Agriculture Organisation (FAO), from the end of 1991 to early 1992, will extend assistance worth U.S. dollars 157,000 to Laos for the development of the cultivation of fruit trees and vegetables. This is provided in an agreement signed here at the Ministry of Agiculture and Forestry by Mr. Mustasa, FAO representative in Laos, and Mr. Alounkeo, head of the International Organisations Department, Lao Foreign Ministry, on August 7, 1991.

In the initial stage, the ministry of agriculture is assigned to assume the role of the project executor to study the technical condition, human resources and the conditions of the fruit trees and vegetables cultivation. The initial feasibility study will be launched in Luang Prabang and Champassak provinces. If feasible, this U.N. organisation will extend more assistance to the execution of the project during 1992-1995.

Floods in Saravane, Champassak Provinces Reported

BK0708145991 Vientiane KPL in English 0924 GMT 7 Aug 91

[Text] Vientiane, August 7 (KPL)—A report of the committee against natural disasters under the Ministry of Agriculture and Forestry indicated that in the southern Saravane Province 2,259 ha [hectare] of the total 27,382 ha of the newly transplanted rice fields have been flooded, 730 ha of which were damaged.

The flood covered 350 ha in Tha Louang, 194 ha in Keng Houat and 92 ha in Namet areas.

During the same period, more than 1,000 ha ricefield in Sanasomboun and Pathoumphon Districts, the southern Champassak Province were flooded. Rice seedlings in 454 ha were totally damaged.

Seminar on Rural Development Held With Thais

BK0608104491 Vientiane KPL in English 0942 GMT 6 Aug 91

[Text] Vientiane, August 6 (KPL)—The first national seminar on technology sustainable for rural development was held here today under the cooperation between Lao ministries, CIDSE [International Cooperation for Development and Solidarity], and sustainable agricultural group and sound technology association of Thailand.

The seminar, sponsored by the CIDSE, brought togother 85 Lao officials at central and provincial levels (except those from Sekong and Attopeu Provinces where the organisation has operation yet).

The seminar, due from 6-9 August, will study experiences on technological application suitable for rural development in the country. This covers the application of local resources, medicinal herbs to combat epidemics and pests, the practice of rice farming on mountain slopes, fish rearing.

Also included in the discussed subjects are the development of food processing in rural areas, the clean water supply and others related to rural development, the combined agricultural project, and the experiences on agricultural promotion in Laos.

Phoun Sipaseut Receives Outgoing Malaysian Envoy

BK0608095691 Vientiane KPL in English 0900 GMT 6 Aug 91

[Text] Vientiane, August 6 (KPL)—Mr. Phoun Sipaseut, vice chairman of the Council of Ministers and foreign minister of Laos, yesterday received Mr. Ng Bak Hai, charge d'affaires of Malaysia to Laos.

Mr. Ng Bak Hai who has assumed the post since April 28, 1989 is about to terminate his mission in Laos.

Outgoing Malaysian Envoy Takes Leave of Premier

BK0808104291 Vientiane KPL in English 0926 GMT 8 Aug 91

[Text] Vientiane, August 8 (KPL)—The outgoing Malaysian charge d'affaires A.I Mr. Ng Bak Hai, on August 7 bade farewell to the Lao chairman of the Council of Ministers Mr. Kaysone Phomvihan.

The Lao chairman of the Council of Ministers congratulated the Malaysian diplomat for the fulfillment of his diplomatic mission in Laos for over two years and wished him good journey home and success in his new mission.

Mr. Ng Bak Hai took up the post from April 28, 1989.

Cultural Cooperation Plan Signed With Sweden

BK0808112691 Vientiane KPL in English 0932 GMT 8 Aug 91

[Text] Vientiane, August 8 (KPL)—An agreement on cultural cooperation between the Lao and Swedish Governments was signed here on August 7 by Mr. Bounteng Vongsai, vice-minister of information and culture and Mr. Per Gustav Kokeritz, charge d'affaires a.i. of Sweden to Laos.

According to the agreement, the Swedish side will help [in] rehabilitating the museum in Luang Prabang—the former royal palace—the national library. The cooperation also will benefit VANASIN magazine and the training of personnel in cultural field. The aid amounts to six million krona (Swedish currency).

In addition, the Swedish charge d'affaires a.i. said that this was the first step in the two countries' cooperation in the field.

Chinese Airline Makes Trial Flight to Vientiane

BK0808115291 Vientiane KPL in English 0940 GMT 8 Aug 91

[Text] Vientiane, August 8 (KPL)—A 737-500 jet plane of the China Southern Airlines made the first trial flight between Guangzhou-Vientiane in the morning of August 6.

The purpose of the flight was in anticipation of the Guangzhou-Vientiane-Guangzhou air route to be launched on November 10 this year.

This air route connection will help facilitating better and closer link between the two countries, on the one hand, and providing better services to tourists, on the other.

The deputy general director of the China Southern Airlines and the crew on board of the plane were warmly welcomed by the officials of the Lao Aviation Company.

Philippines

More on Aquino Rejection of U.S. Bases Proposal

HK0808053591 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 7 Aug 91

[Text] President Corazon Aquino rejected the U.S.proposal for the two countries to form just an executive agreement on the military bases instead of a treaty, in the face of a Senate rejection of a treaty.

Aquino explained through Executive Secretary Franklin Drilon that according to the Constitution, the new agreement on the bases retention should be by way of a treaty.

U.S. Embassy Spokesman Stanley Schrager had proposed that instead of a treaty, the Philippines and the United States could just come up with an executive agreement which does not have to be ratified by the Senate.

Foreign Affairs Secretary Raul Manglapus concurred with the president's position. Manglapus said that he does not favor the proposal because it is unconstitutional. Manglapus also ignored the U.S. threat to leave the Philippines, if no new bases treaty can be reached.

Manglapus gave assurances that the Philippines is ready for any eventuality because the Philippines has already formed a withdrawal committee for the bases issue.

Senator Leticia Ramos Shahani, meanwhile, criticized military bases negotiators of the Philippines and the United States for setting aside the possible complications and effects of the tedious process of killing the new bases treaty.

Shahani said that both panels did not study the negative effects of the new bases treaty on the Governments of the Philippines and the United States. Shahani mentioned that the United States expects to have an executive agreement so as to ensure approval of the treaty, while the Philippines is insisting on its ratification by the Senate.

Shahani blamed Foreign Affairs Secretary Raul Manglapus, who has prepared well for the negotiation with the U.S. panel. The senator stressed that the agreement cannot be considered a treatment as long as it has not yet been ratified by the Senate.

U.S. Should Abide by Mutual Defense Treaty

HK0808071291 Hong Kong AFP in English 0615 GMT 8 aug 91

[Text] Manila, Aug 8 (AFP)—The United States is obliged to protect the Philippines from external attack even if American bases are forced out of the country, Foreign Secretary Raul Manglapus said here Thursday.

Speaking at a news conference as the Philippine senate threatened to scuttle a proposed new bases treaty, Manglapus said the 1951 Mutual Defense Treaty between Manila and Washington was independent of basing arrangements.

"They are obliged under the mutual defense treaty to defend us from attack, whether or not there are American bases in this country," he said when asked if Philippine troops were prepared to take over external defense quickly.

The Philippines has one of the most backward Armed Forces in the region, with most of its troops tied down by internal security problems, and has traditionally depended on U.S. bases for external defense.

Manglapus said the bases treaty, which calls for a U.S. pullout from Clark Air Base by September 1992 and a

10-year new lease on Subic, would be finalized in a few days after minor details are ironed out.

Fifteen of the 23 senators have declared opposition to the draft bases treaty in a recent informal vote taken ahead of a formal debate in the body. The final vote is expected in September.

U.S. officials have vowed to start pulling out of Subic Naval Base on September 16, when the current U.S. lease on the facility runs out, if the new bases treaty is rejected by the Philippine Senate.

The Senate has already received the "substantial portion" of the treaty, said Manglapus, who is campaigning across the country for public support for the bases treaty to force the senate to ratify it.

Independent surveys taken before the terms of the treaty were made public showed strong support for the U.S. military presence in this former colony.

Manglapus said the mutual defense treaty was open-ended, and can only be terminated by agreement of both countries.

But Manglapus conceded that Washington had on occasion rejected Manila's requests for assistance under the treaty.

"The United States has been negative in its responses to our inquiries regarding the inclusion of the Spratlys in the mutual defense treaty," he said.

The Spratly islands are a strategically located archipelago in the South China Sea claimed in whole or in part by the Philippines, China, Vietnam, Taiwan, Malaysia and Brunei.

All but Brunei maintain military forces or patrols in the area, where Chinese and Vietnamese forces staged a brief but bloody battle in 1988.

Government sources also said then President Ferdinand Marcos was refused by Washington when he sought U.S. military assistance in quashing the Arab-backed Moslem rebellion in the Southern Philippines in the 1970s.

The Philippines, ruled as a U.S. colony in the first half of the century, has not been attacked by a third country since the Japanese invasion during World War II.

The current bases agreement with the United States was signed in 1947.

Even if it pulls out of the Philippine facilities, the United States will maintain a strong military presence in the Asia-Pacific with its air, naval and ground forces in South Korea, Japan and Hawaii.

Washington decided to abandon Clark by 1992 after the eruption of Mount Pinatubo in June devastated the facility.

Subic is the main ship repair and supply facility of the Japan- based U.S. Seventh Fleet.

Manglapus on Status of Bases Agreement

HK0808100791 Manila Manila Broadcasting Company DZRH in Tagalog 0900 GMT 8 Aug 91

[By Rey Arquiza; italicized passages in English]

[Text] Foreign Affairs Secretary Raul Manglapus stressed that the United States must recognize the new agreement on the U.S. bases as a treaty, otherwise, no agreement will be reached between the two sides. Manglapus said that if the United States does not recognize the agreement as a treaty, the Americans should withdraw their military bases in the country. *The Constitution is very clear that this treaty shall have to be recognized by the U.S. Senate,* added Manglapus. In a news briefing, Manglapus said the ball game on the U.S. bases ratification issue is in the hands of the people. *The ball game is the people and it is the people who elect the senators,* Manglapus said.

Column Assesses Senate Position on Bases

HK0808070391 Manila THE CHRONICLE in English 8 Aug 91 p 4

[On the Level Column: "Senate Now Caught in Squeeze Play" by Alex R. Magno]

[Text] Confronted with a stubborn Philippine Senate poised to jeopardize the draft treaty on the bases, Washington has raised the specter of immediate closure of Subic along with Clark.

In a briefing for Senate reporters last Tuesday, U.S. Embassy spokesman Stanley Schrager stated that should our Senate reject the proposed treaty, the Americans shall begin procedures for withdrawal from Subic Naval Base. A two-year timetable for withdrawal from Subic was indicated.

Schrager's statement clearly indicated unwillingness on the part of the Americans to re-open talks on the duration and compensation aspects earlier agreed upon in the Manglapus-Armitage draft.

The statement signals a hardening of the U.S. position in the aftermath of the Senate "straw vote" on the draft treaty. The apparent intention here is to blunt Senate moves to exploit the ratification proceedings in order to pile up political points at the expense of the Aquino presidency.

The Senate's political play has become evident over the past few weeks. By threatening the presidency with a hard rejction of the draft treaty, the Senate (or at least a number of senators) could extract substantial political concessions that will affect alignments for the 1992 elections.

The Senate's political play makes several tenuous assumptions. It assumes, for one, that in order to avoid the embarrassment of rejection, the Presidency shall back down on the key duration and compensation aspects and renegotiate the draft with the Americans. This makes the further assumption that the U.S. will be willing to accommodate at least a show of renegotiation.

Schrager's most recent statement blocks the Senate's political play from developing.

By stonewalling on the existing terms of the treaty, the Americans are throwing all the balls into the Senate's court. It is a major dare: Reject the Manglapus-Armitage agreement and accept the consequences of an untimely American withdrawal.

The Americans have been building up for this counterplay for days. The trade concessions and quotas we currently enjoy will likely be withdrawn if the bases are forced to go. Our debt reduction program, dependent on American support, will be put in jeopardy. Philippine access to the U.S. market will be constricted if we lose preferential treatment and are forced to compete with our neighboring Asian export economies. All this on top of the loss of jobs and compensation implied by early American withdrawal from their Philippine bases.

The U.S. counterplay is designed to communicate one point: Rejection of the draft agreement will be very costly for our economy. This, in turn, implies that rejection will prove politically costly for the senators.

The American threat is made credible by the fact that Washington is itself under pressure to close down foreign bases to match the closure of 34 military bases in mainland USA. The USSR is irreversibly in a process of withdrawal from its superpower role and has been reduced to begging for economic support from the Western powers. A few days ago, Gorbachev won "most favored nation" treatment from the U.S.

Fewer and fewer American strategists will weep over the early closure of Subic. Few shed tears over the early closure of Clark.

The configuration on the bases has changed drastically since Mt. Pinatubo's eruption. The Philippine side now finds itself with everything to lose and almost nothing to gain from early American withdrawal.

The damage caused by the eruption on the facilities will make them unuseable for us in the foreseeable future. The dislocation in the surrounding economy will prevent us from quickly replacing the jobs that will be lost as a consequence of early American withdrawal.

Instead of allowing itself to be caught in a squeeze play, the presidency has stepped aside and allowed the bases controversy to be one between the Senate and the Americans. By stepping aside and keeping quiet, Malacanang is able to cut its losses and avoid being burned by this issue.

It is the Senate that now finds itself caught in a squeeze play. Anti-bases militants, a small but shrill constituency, have now focused their own pressure play on the Senate, waving faded banners of emotional nationalism.

If the Senate eventually passes the treaty, they will bear the brunt of hysterical nationalist propaganda. If they block the treaty, they will be held responsible for adding to the miseries wrought by Pinatubo. The Americans are hoping the Senate will abandon the minority nationalist constituency.

Local Officials Favor Bases Pact Ratification

HK0808075091 Manila MANILA BULLETIN in English 8 Aug 91 pp 1, 13

[Text] Most elected local officials favor the ratification of the Philippine-U.S. bases' treaty by the Senate and improvement of its compensation package as proposed by Congress.

This was revealed yesterday by Negros Oriental Vice Gov. Pelagio Villegas Jr., president of the Vice Governors and City Vice Mayor's League of the Philippines (VGCVML), based on a recent survey.

Villegas, also executive vice president of the National Union of Elected Local Government Authorities of the Philippines or the "League of Leagues," said the elected local officials also urged an increase in the U.S. quotas on garments, sugar, and other products made in the Philippines.

He said majority of all elected local officials and local government units (LGUs) in 75 provinces, 62 cities, 1,532 towns, and over 40,000 barangays all over the country favor continued U.S.-led foreign economic support for the Philippines.

Villegas said the local officials and LGUs are for the retention of U.S. military facilities in the Philippines.

"Non-ratification by the Senate of the treaty may result in a man-made economic catastrophe far worse than that created by Mt. Pinatubo," he added.

Villegas said removal of the U.S. bases due to the non-ratification of the treaty by the Senate will create unrest among over 75,000 Filipino base employes who will lose their jobs and 2-million Filipinos who will be affected adversely.

He said massive unemployment would lead to big trouble if thousands of small and medium business firms that depend largely on business opportunities from the bases close shop.

Villegas said "today's anti-treaty senators have badly misjudged the challenges of contemporary history in the perspective of the Filipino people's sovereign wishes."

He said "the senators' stand against a Philippine-U.S. treaty tends to ignore the people's foremost needs of the historic moment in the midst of the various crises visiting this country, which badly needs continued economic assistance and most-favored trade concessions from friends abroad, led by the United States."

"This is the bottom line of the whole issue of the RP [Republic of the Philippines]-U.S. treaty of friendship. If the senators continue with their posturing, this should make them responsible for the lives of the generations of Filipinos yet to come," Village said.

He added that only a minority wants the bases out.

"A democracy should be determined by the sovereign will of the majority, not by a handful of anti-Americans who constitute only a marginal sector of the population. The Senate should be guided in its actions by the popular sentiments of the citizens, not by the individual personal ideological bias of its members; otherwise, the Senate will serve only as a chamber for fostering the tyranny of a minority, resulting in anarchy," Villegas said.

Congressmen Urge Return of Marcos' Remains

HK0808070291 Manila MANILA BULLETIN in English 8 Aug 91 pp 1, 13

[By Fred Lobo]

[Text] One-hundred fifty-one of 205 members of the House of Representatives crossed party lines yesterday to sign last night a resolution urging the return of the remains of former President Ferdinand Marcos.

Minority Floor Leader Salvador Escudero III (KBL [New Society Movement], Sorsogor), leading the opposition members in authoring Resolution 2346, said more were expected to sign the measure as "a demonstration of multipartisan sentiment for forgiveness and reconciliation."

Leading those who signed for the Laban ng Demokratikong Pilipino (LDP [Struggle of the Pilipino Democrats]) were Speaker Pro Tempore Antonio V. Cuenco (LDP, Cebu City), Assistant Majority Floor Leader Teresa Aquino Oreta (LDP, Malabon-Navotas), Assistant Majority Floor Leader Raul S. Roco (LDP, Camarines Sur), and Rep. Hernando Perez (LDP, Batangas), ways and means committee chairman.

Leading the members of the "Progressive Bloc" were Rep. Bonifacio Gillego (NUCD [expansion unknown], Sorsogon), Rep. Oscar Santos, Quezon, and Oscar Rodriguez, Pampanga.

Opposition members of the House cited President Aquino's State-of-the-Nation address before Congress last July 31, in which she said that the "politics of vengeance is a thing of the past."

The lifting of the ban on the return of the remains of the former president would be consistent with the presidential pronouncement, the resolution said.

"The last Christian act for the dead is to be buried in one's country and this filial duty is dictated by tradition no other circumstances may negate," the opposition members said.

They said that the homecoming "will not give cause to any act or initiative to destabilize the present government."

Marcos himself, they said, publicly admonished friends and supporters to unite in the collective effort to ensure the survival of the country against the dangers that threaten it, and to attain the welfare of all the people.

Return of the body, they said, offers the administration and Marcos followers "a singular opportunity to commence earnest efforts at genuine national reconciliation, where bitterness and partisan sentiments borne by political division can be initially erased and laid to rest for the greater sake of national peace and stability."

Others who signed after Escudero were Reps. Rodolfo Albano (KBL, Isabela), Roque Ablan (KBL, Ilocos Norte), Antonio Abaya (KBL, Isabela), Jose D. Aspiras (KBL, La Union), Jose Rono (Ind., Samar), Conrado Estrella III and Conrado Estrella Jr., both of Pangasinan, Abdullah Dimaporo (Ind., Lanao del Norte), Antonio Cerilles, Zamboanga del Sur, Kate Gordon (KBL, Zambales), Simplicio Doming (KBL, Isabela), Victor Ortega (KBL, La Union), Ismael Mathal (LDP, Quezon City), and Antonio Serapio (LDP, Valenzuela).

Marcos May Return in Dec Even Without Remains

HK0808091491 Quezon City Radyo ng Bayan in Tagalog 0400 GMT 8 Aug 91

[Text] Former First Lady Imelda Romualdez Marcos has decided to return to the Philippines even if she cannot bring home her husband's remains. This was according to Mrs. Marichu Maceda, a close friend of the former first lady. Jojo Ismael has additional information.

[Begin Ismael recording] In a conversation with the press, Senator Maceda said that he found out from his wife, Marichu Maceda, during a telephone conversation, that the former First Lady has said that she would be spending Christmas in Manila, and that she might be coming home during the first week of December even if they could not bring with them former President Marcos' remains.

However, Mrs. Maceda clarified that the Marcoses are presently insisting that they be allowed to bring home the former president's remains. The Marcoses, through their lawyers, asked the Aquino government to allow the return of the former president's remains in order that they may be buried in the Philippines.

Meanwhile, Philippine Broadcasting Service [PBS] News was able to find out that Mrs. Marcos may join the Nationalist Party when she comes home. It can be remembered that President Marcos was one of the good leaders of the Nationalist Party. From the Senate, this is Jojo Ismael reporting for PBS News. [end recording]

Commission on Good Government Officials Resign

HK0708083591 Manila PHILIPPINE DAILY INQUIRER in English 7 Aug 91 pp 1, 6

[By Gay Dumat-Ol]

[Text] Commissioners Mario Jalandoni and Arthur Defensor of the Presidential Commission on Good Government [PCGG] yesterday submitted their letters of resignation to President Aquino following calls for the abolition of the commission.

David Castro, PCGG chairman, said Jalandoni and Defensor were "abandoning a sinking ship" although there was no word yet from Malacanang that the President had accepted the resignation of the two officials.

Jalandoni and Defensor resigned amid calls for the abolition of the five-man commission tasked with recovering the ill-gotten wealth of the Marcos family and their cronies. The PCGG recently lost before the Supreme Court several big cases involving the sequestration of companies owned by the Marcoses and their cronies.

Castro said Jalandoni and Defensor informed him Monday of their intention to resign. He refused to discuss the reason for Jalandoni's resignation.

But sources said Jalandoni who joined the PCGG in February was disappointed by his recent failure to gain the presidency of Oriental Petroleum whose majority shares are under PCGG sequestration.

Oriental Petroleum, the country's top exploration firm, recently struck oil in Palawan.

Defensor who joined the commission in 1990 refused to talk to reporters. Defensor handled information and documents pertaining to the ill-gotten wealth of the Marcoses hidden in Swiss banks.

Sources said Defensor resigned over differences with Castro on the hiring of Reiner Jacobi as PCGG intelligence officer in Europe.

Jacobi was arrested in Germany last month on suspicion he was leading an attempt to enter the computer system of Credit Suisse to check on bank accounts of the Marcoses.

Jacobi claimed he got information that the Marcoses have deposited $1.3 billion in the Zurich bank. Swiss authorities denied Jacobi's claim.

A German court ordered Jacobi's release but he was subsequently arrested in Hong Kong on a U.S. drug warrant.

Still, Zurich District Attorney Peter Cosandey, suspended legal cooperation with Manila's efforts to recover other Marcos funds deposited in other Swiss banks.

Sources said PCGG Commissioners Maximo Maceren and Zosimo Malabanan might stick it out with Castro.

Castro said it was not yet time to abandon PCGG, saying he wants to leave behind an achievement that would redeem the commission's tarnished image.

"I think we need some success before resigning," Castro said. "My timetable is forthcoming."

Looking downhearted, Castro said Jalandoni and Defensor had the right to quit. But he said "it is their responsibility also to hold the fort."

Malacanang is set to announce this week its decision on the fate of the PCGG in the light of recent legal setbacks the commission suffered, including the Jacobi fiasco.

The PCGG last week lost its legal battle to continue controlling businessman Eduardo Cojuangco Jr.'s shares of stock in San Miguel Corp.

Cojuangco, estranged cousin of President Aquino, is a known business associate of the late President Marcos.

Aquino Asked To Endorse Foreign Entities Bill

HK0808081791 Manila THE CHRONICLE in English 8 Aug 91 p 1

[By staff member Lito Zulueta]

[Text] The Cabinet committee on security yesterday sought President Aquino's endorsement for swift passage by Congress of a bill granting incentives and protection to investments by countries not recognized by the Philippines as states, like Taiwan.

Apparently, the move aims to appease Taiwan, which protested Malacanang's downgrading of an economic cooperation agreement signed last month.

The bill, entitled the Foreign Entities Act, has been approved by the House of Representatives and has been referred to the Senate.

Executive Secretary Franklin Drilon, the chairman of Cluster E, the Cabinet Committee on Security and Political Development, said the president could either certify the bill or endorse it as an administration measure.

In any case, Drilon said that since the start, the bill has had the support of Cluster E, which would continue to give its support for the measure's swift passage.

"We hope that this will encourage them (the Taiwanese) to invest in the country. Not only the Taiwanese but the others, too," he said.

But Drilon denied the committee's endorsement of the bill aims to appease Taiwan.

"When we enact a law, it is to the interest of the country. It is not intended to appease anybody," he said.

Last Monday, Mrs. Aquino disregarded the pact signed in Taipei providing Taiwan with two sealanes in Philippine territory for its vessels to conduct "innocent passage" while on their way to international fishing grounds.

The bill adopts the Australian model in fostering relations with Taiwan.

Like the Philippines, Australia recognizes the People's Republic of China as the "true" China. In 1989, in a bid to attract Taiwanese investments, the Australian Parliament passed a foreign entities law providing protection to investments of countries not recognized by Canberra.

Like the Australian law, the Philippine version evades any specific mention of Taiwan.

The bill, in fact, was drafted by the Foreign Affairs Department and submitted to the House committee on foreign relations last year after the latter had killed the proposed Taiwan Relations Act.

The foreign office lobbied against the Taiwan bill because of fears its passage would grant official recognition of Taiwan at the expense of the country's "one-China" policy.

But Mrs. Aquino just the same made a unilateral declaration opening the sealanes in the South Pacific Ocean.

Malacanang officials said the Taipei pat was considered a "record of discussions" between the two countries. Apparently, the president down-graded the agreement for its mention of Taiwan as Republic of China, in effect a recognition of the tiny island-state despite the Philippines' diplomatic ties with the socialist mainland.

Meanwhile, Drilon denied that in opening two sealanes in the South Pacific Ocean for use by Taiwan and other foreign fishing vessels, the government was violating the constitutional policy safeguarding the country's natural resources.

Editorial Views Repercussions of Fishing Treaty

HK0808074591 Quezon City MALAYA in English 8 Aug 91 p 4

[Editorial: "Taiwan's turn]

[Text] Now it's Taiwan's turn to gripe against the Philippine-Taiwan "agreement" on fishing rights for Taiwanese boats or, better said, their rights of passage through Philippine waters.

President Aquino has downgraded the agreement to a mere "record of discussions between representatives" of Manila and Taipei. When her emissary, Roberto Lucila, then an assistant execitive secretary in Malacanang, signed it in Taipei he and his Taiwanese counterpart behaved like full-blown pact between two sovereign nations. The People's Republic of China quickly protested, saying the agreement violated the one-China policy that is the central element of its relations with the Philippines.

When Mrs. Aquino reduced it to the status of a mere record of proceedings, the Taiwanese representative in Manila, Mr. William Lee, expressed his satisfaction, pointing out that her executive orders designating the Philippine sealanes that Taiwanese fishing boats may sail through proved that the Philippines was "honoring the agreement." But he changed his tune completely within 24 hours, and now warns of "serious repercussions" that may flow from Mrs. Aquino's actions.

Obviously he got his knuckles rapped violently by his home office. Lee now says that Malacanang's decision "might affect out continued efforts in labor, tourism and other endeavors." The labor aspect is the most ominous. At present there are an estimated 40,000 Filipinos working illegally in Taiwan, but Taipei has turned a blind eye to this anomaly and has tolerated it. This policy of forbearance may now be in danger of abrupt reversal.

As it happens, a Philippine delegation under Immigration Commissioner Andrea Domingo is on its way to Taipei to negotiate for the admission of another 25,000 Filipino workers into Taiwan. This effort, Lee says, is now in serious jeopardy. Despite the delicate state of Philippine-Taiwanese relations precisely over the fishing accord, Commissioner Domingo nevertheless saw to it that every newspaper in town got a press release announcing her grandiose mission, with her photograph of course.

Any other intelligent, patriotic official would have gone about this sensitive project quietly and unobstrusively, so as not to attract unwelcome attention, not least of all from Beijing. But this is an administration of publicity hounds, who care more about their press clippings than anything else.

President Aquino's decision to devalue the fishing agreement was, of course, the right one. It had been recommended by the Department of Foreign Affairs and her cabinet Cluster E. With Beijing presumably mollified, the government must now face Taipei's wrath at worst, or its annoyance at best. You can't please them all, as the old saying goes. But life is nothing but a succession of choices, and one must learn how to defend and stand up for one's decisions.

Asian Development Bank Reaffirms Loans

HK0708102091 Manila THE CHRONICLE in English 7 Aug 91 p 7

[Text] The Asian Development Bank [ADB] yesterday reaffirmed its support for the development projects in the Philippines, especially since Manila is ADB's third largest borrower.

Sixteen members of the board of the ADB met with five senators yesterday morning, as part of its efforts to familiarize with different Philippine government agencies.

Sen. Ernesto Maceda quoted the group as reporting that the Philippines had some $1.4 billion in ADB loans, second only to Indonesia and Pakistan.

A spokesman for Senate President Jovito Salonga quoted ADB director Tan Song Chuan as saying that the bank was sympathetic to rehabilitation projects after the Mt. Pinatubo disasters.

The officials also said they expected an increasing loan portfolio from the Philippines, especially because Manila itself is host to the ADB regional headquarters.

Recently, the bank said it would hike loans to the private sector in order to increase participation in the Philippines.

Majority Leader Teofisto Guingona raised the question of whether laws were needed to allow the ADB to be involved in co-financing with private banks. But ADB officials said the practice was normal and would constitute the bulk of members' foreign loan accounts in the future.

He quoted the officials as saying that was unlikely to happen and that the large multilateral institutions like the International Monetary Fund and World Bank "will be around for a while."

Government To Request Higher IMF Liquidity

HK0808075691 Manila THE CHRONICLE in English 8 Aug 91 p 3

[By staff member Rene de Los Reyes]

[Text] The government is considering asking the International Monetary Fund to raise the liquidity targets set under an 18-month economic stabilization program since the Central Bank [CB] feels it has run out of options to limit the circulation of inflationary cash in the economy.

A CB official yesterday said this option was more feasible than other proposals recently made to soak excess liquidity from the monetary system such as raising the bank reserve requirement or increasing the flotation of government securities.

The official said that already the national government has started transferring to the Central Bank its deposits with three government financial institutions [GFI] to take out an estimated P5 [Philippine pesos] billion from the banking system.

But the official said there are limits to how much money and how fast such deposits can be shifted to the CB because the GFIs have their own requirements.

He said, "We have to do this gradually so as not to disrupt their operations."

Because of this and other budgetary constraints the government is uncertain of being able to more effectively siphon off excess liquidity and may be reduced therefore to renegotiating the reserve money ceiling and other monetary performance targets with the IMF.

Data gathered from the CB showed that reserve money, broadly represented by the amount of cash circulating in the monetary system, had reached P116.9 billion as of July 29, P4.4 billion over the P112.5 billion ceiling for the period prescribed under the economic program.

The IMF is supporting that stabilization program with a loan package of $916 million for balance of payments and budgetary support. Thus far it has released two loan tranches from that package after ascertaining that the Philippines had satisfied liquidity and other performance criteria to date.

He said that while the reserve requirement is one of the monetary tools for controlling money supply, the CB has deemed it impossible to raise it without inducing a corresponding rise in interest rates. The CB is committed to keeping interest rates down or driving them down even further.

The 25% reserve requirement, which is a percentage of total deposit liabilities that a bank is required to keep with the CB for the security of depositors, is one of the highest in Asia. The CB official said the government is even less inclined to raise the volume of its weekly auction of government securities because of its commitment to reduce its heavy domestic debt burden.

Its resort to the flotation of the longer-term floating rate Treasury notes [FRTN] was precisely done to enable the government to reduce its borrowings through the shorter-term Treasury bills [T-bill].

The official said increasing T-bill and FRTN offerings could also lead to a corresponding rise in interest rates which the CB is trying to avoid.

After interest rates broke the 30% mark late last year the CB has decidedly reduced its weekly T-bill offering from P10 billion to only P7.5 billion, consequently bringing down key T-bill rates on which banks base their own lending rates.

Monetary Board To Reduce Peso Supply

HK0708094291 Manila THE CHRONICLE in English 7 Aug 91 p 1

[By Staff members Arleen Chiponglan and Rodney Diola]

[Text] The Monetary Board, Central Bank's policy-making body, is set to increase flotation of treasury bills [T-bill] and treasury notes and allow the transfer of national government deposits from government financial institutions to the Central Bank [CB] to help mop up excess pesos in the system estimated at P [Philippine peso] 5 billion last month.

But Budget Secretary and Monetary Board member Guillermo Carague said the Monetary Board was not keen on adopting two other measures also proposed to siphon excess liquidity. These are the increase in the reserve requirement on banks by one percentage point and the deferment in national government expenditures that will see a "bunching up" of spending in the fourth quarter of this year.

Fiscal and monetary moves to mop up excess pesos in the system are expected to lead to a higher cost of money as a contraction of funds normally push up interest rates.

Based on last week's T-bill auction, prime rates—the best rates offered by bank to their clients—now average about 19%.

As a rule of thumb, prime rates of commercial banks are one-percentage point higher than the average 91-day T-bill yield, which now stands at 18.359

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The urgency to siphon excess liquidity emerged following the first formal review of the country's economic performance last month by a visiting mission from the International Monetary Fund.

The IMF monitors, among other aspects of the economy, the country's reserve-money situation as part of the yardstick of economic performance.

The country has almost always faced difficulties in meeting the reserve-money level, which often leads to a campaign to mop up excess pesos in the system.

Siphoning excess liquidity in the system, while pushing up interest rates, helps reduce inflation rates as fewer pesos in the system chasing fewer goods dampen any increase in consumer prices.

Last month, inflation stood at 18.4%, slightly lower than the previous month's level of 19.2%.

The Monetary Board is expected to approve this Friday an increase in T-bill weekly flotation by P500 million to P8 billion. The increase in the auction of the medium-term T-notes has not been determined yet.

The transfer of national government deposit to the CB from GFIs [Government Financial Institutions] is expected to lead to the abolition of the modified disbursement scheme implemented early this year.

Under the scheme, only GFIs, namely, the Philippine National Bank [PNB], Development Bank of the Philippines and the Land Bank of the Philippines, are accredited as depository banks of government agencies.

The transfer of national government deposits to the CB will also help beef up the cash position of the CB, which is expected to incur a budgetary deficit of P30 billion this year, or higher than the national government's cash shortage of P26.6 billion.

Meanwhile, bankers see the latest move of the Monetary Board as the strongest signal yet on the government determination to curb excess growth in money supply.

A banker from Rizal Commercial and Banking Corporation (RCBC) said the move to transfer most of government deposits from GFIs and the issuance of more T-bills will definitely tighten credit and led to further rise in interest rates.

T-bill rates, the leading barometer of the cost of money in the system, reversed their declines in two consecutive auctions held every Friday.

The RCBC banker, However, said, it is strange for the CB to be talking of excess liquidity in the banking system when in fact fund tightness has set in among banks, as reflected in the jump of the interbank call loan rate to a high of 40% yesterday. The average IBCLR [Inter-bank Commercial Lending Rate] rose to 34.875% yesterday, compared with only 18% last week.

"If there is excess liquidity, banks will not be quoting such relatively astronomical rate," another banker pointed out.

Philippine National Bank, which receives almost 60% of government deposits, is seen to be the biggest loser once the government funds are withdrawn from its coffers for transfer to the CB.

Deposits in CB earn a miniscule 4-5% in interest, compared with the 20% yield in T-bills.

Barring Securities chief of research Joey Salceda, however, said there is really nothing new about the move of monetary authorities, adding that PNB could absorb the smaller returns.

Salceda, who religiously tracks the listed bank, said PNB actually began depositing subtantial amounts of government funds to the CB in April.

The move, he said, was shown in PNB books, which reflected a surge in receivables from the CB.

Despite this, PNB posted a strong performance in the first half of the year, compared with the same period last year.

The controversial move prompted bankers and analysts who discovered the transaction to describe PNB as playing a "quasi-CB" role.

A PNB banker said such a maneuver crystalizes the importance of the government's retaining control of the bank, given its stabilizing function. The government plans to eventually sell an additional 21% of the bank so it will qualify as a private commercial bank and not as a GFI.

Scenarios where PNB plays to the hilt its "quasi-CB" role, however, may not sit well with private shareholders who wants less stricture on where it should place its funds.

The bank should be allowed to place the funds on instruments that will yield the most return to its shareholders, which include the national government, analysts argued.

NPA Leader Admits Big Effect of Arrests

HK0708072091 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 6 Aug 91

[Text] Leopoldo Mabilangan alias Comrade Hector, the head of the New People's Army [NPA] Banahaw Command in Quezon Province, admitted that the series of arrests of high-ranking NPA officials has greatly affected their movement but said this will not necessarily result in the demise of the communist movement. This was Comrade Hector's reaction to the recent arrest of husband and wife Romulo Kintanar and Gloria Jopson at the Makati Medical Center.

Meanwhile, Comrade Hector assured that the rebels will not participate in the 1992 election. He said they will boycott the scheduled polls because this allegedly is not the solution to the hardship presently experienced by millions of Filipinos. The rebel leader stressed that although they will boycott the election, they will not prevent the people from voting and exercising their constitutional rights.

Analysts Reveal Possible NPA Successors

HK0708083291 Manila PHILIPPINE DAILY INQUIRER in English 7 Aug 91 pp 1, 6

[By Fe B. Zamora and Dave Veridiano]

[Text] More communist leaders are expected to fall following the capture of Romulo Kintanar, alleged chief of the 18,000-strong New People's Army, [NPA] police sources said yesterday.

"They (rebel leaders) will fall one by one," said a police intelligence analyst, who asked not to be identified. "Nakakahon na sila (They're all boxed in)."

Kintanar, 44, chief of staff of the NPA General Command, and his wife Gloria A. Jopson were captured Tuesday afternoon while visiting an eye doctor at the Makati Medical Center. Jopson is believed to be the head of the National Finance Commission of the Communist Party of the Philippines [CPP].

Last week, 11 members of the NPA General Command were captured during separate raids in Metro Manila.

The series of arrests is expected to cause a "massive dislocation in the CPP-NPA leadership," a police intelligence officer told the Inquirer.

In a show of strength, however, 150 youth activists held a lightning rally along busy C.M. Recto Avenue, waving red flags and banners and shouting slogans of the outlawed Communist Party.

Manila policemen were caught off guard by the demonstration and made no attempt to stop it. The youths dispersed upon reaching Rizal Avenue.

Military analysts said Leo Velasco or Arturo Tabara will most likely succeed kintanar as NPA chief. Velasco oversees all rebel operations in Northern Luzon while Tabara supervises party and military work in the Visayas.

The analysts said both Velasco and Tabara are members of the seven-man CPP Military Commission which directs all NPA activity. The commission is headed by Benito Tiamzon, acting CPP Chairman.

Other members of the CPP Military Commission are Prudencio Calubid, Edgardo Quitoriano and Jose de Vera.

Analysts added that Nilo de la Cruz will likely fill the post vacated by Kintanar in the commission. De la Cruz commands the Alex Boncayao Brigade, urban guerilla unit of the NPA in Metro Manila.

The analysts said some middle-level party cadres may also be pulled out of various regions to replace captured members of the NPA General Command.

Sources said the CPP Military Commission will most likely promote Lucio Borlaza, current chief of the NPA Special Operations Section, Melchor Bartolome and Philip Limioco of the CPP-NPA group in Southern Tagalog, and a certain Ramon Ramirez.

Sources said Borlaza, a former engineering student was among 11 NPA guerillas who underwent training in terrorism in North Korea in 1987.

Police sources also said the wave of arrests might trigger another bloody purge of suspected military spies within the communist movement.

"They (communist rebels) have grown suspicious of each other again," the sources said.

Bartolome Baluyot, intelligence chief of the PNP [Philippine National Police] Highway Patrol Group [HPG], said Kintanar and Jopson were tipped off by an unidentified caller.

Baluyot said the PNP Highway Patrol Group which bagged the couple mounted its operation against the two communist leaders as early as July.

The caller, according to Baluyot, told the HPG that Kintanar and Jopson frequented the clinic of Dr. Manuel Hechanova, ophthalmologist, at Room 332 of the Makati Medical Center.

HPG operatives placed under 24-hour surveillance Hechanova's office until the couple was captured Monday, Baluyot said.

Kintanar and Jopson, who arrived separately at the hospital aboard rented cars, did not resist arrest. Seized from them were $1,520 and P [Philippine peso] 16,565 in cash, a BPI Expressteller Card, a driver's license, an Easy Call pager, and a National Press Club ID card.

Cesar Nazareno, PNP director general, said the couple who both carried a P1 million reward for their capture had undergone plastic surgery at the clinic and were having followup treatments.

A Japanese Red Army terrorist who had also undergone plastic surgery at the Makati Medical Center was captured about two years ago.

Kintanar and his wife are detained at the PNP Intelligence and Security Command under Wilfredo Cruz.

Kintanar and his wife were arrested in March 1988 but escaped the following November during a drunken party for the warden of the Camp Crame stockade where they were held.

Military Focus Manhunt on Alleged NPA Assassin

HK0808072591 Manila PHILIPPINES NEWSDAY in English 8 Aug 91 p 3

[By Dario B. Agnote]

[Text] Military and police intelligence operatives are now focusing their manhunt operations on 33-year-old engineering dropout of Mindanao University who is the alleged new chief of the New People's Army (NPA) General Command Special Operations Section (SOS).

The SOS, also known as N3 or the Ledger Jopson Brigade, has blanket control of all, NPA special operations nationwide. A senior police intelligence official identified the NPA leader as Lucio Borlaza also known as Lex, Brix, Joseph and Jonathan Sanches.

An alleged "protege" of captured NPA chief Romulo A. Kintanar, the source said Borlaza has at least 30 combat intelligence men under his command. The source said the "impenetrable" N3 gets its approval directly from the military commission through the NPA General Command. The source added that Borlaza also went to Pyongyang, North Korea in 1987 to take a commando operations course there.

Borlaza, who carries a P [Philippine pesos] 1million reward for his capture, was believed to be the leader of the group that assassinated U.S. Army Colonel James Rowe in 1989 and former Local Government Secretary Jaime Ferrer in 1987, the source said.

The source added that Borlaza, who first joined the communist underground in 1979 while still a student of Mindanao University, was an alterante member of the banned Communist Party of the Philippines (CPP) Central Committee but was elevated as permanent CC [Central Committee] member after the arrest Monday of Kintanar.

Kintanar was arrested Monday afternoon with his wife, Gloria Jopson, while about to see an eye specialist in Makati Medical Center.

The Camp Crame source said N3 is the remaining functional organ of the NPA General Command and the hardest to be penetrated by the government's deep penetration agents or DPA's.

Communist Propagandists Hold Rally in Manila

HK0808091691 Manila MANILA BULLETIN in English 8 Aug 91 p 8

[By Victor Vega]

[Text] The recapture of New People's Army's (NPA) chieftain Romulo Kintanar and his wife Gloria Jopson in a Makati hospital will not demoralize the "revolutionary struggle of the people to overthrow the Aquino government and establish a government that will uphold the right of the masses."

This was the statement released by the communist propagandists during their lightning rally in downtown Quiapo in Manila the other day.

The lightning demonstration participated in by some 200 officers and members of the outlawed Communist Party of the Philippines (CPP) and carrying red flags of the CPP marched through the streets of Rizal Avenue shouting revolutionary slogans.

Manila policemen apparently were caught off guard by the communist demonstrators and made no attempt to stop the marchers who were able to march several kilometers deep inside Quiapo district and Sta. Cruz area.

The revolutionary struggle is not decapitated, the statement said. "We will carry on the struggle to free the people from poverty, oppression and fascism," they added.

The press statement also denied the military's claim that the communist organization, the longest-running communist rebellion in Asia since it started their Maoist-style guerilla attacks 22 year ago, has been demoralized following the fall of several top communist officers, including the arrest of the Kintanar couple, the alleged chief of staff of the CPP's military wing New People's Army.

Military Rebels Threaten Another Coup Attempt

HK0808025891 Manila THE CHRONICLE in English 8 Aug 91 p 9

[By staff member Manny Mogato]

[Text] Military renegades yesterday issued a warning against the Aquino administration to implement reforms as they threatened to stage another coup before her term expires in June next year.

In a press statement sent to media organizations, the RAM-SFP-YOU [Reform the Armed Forces Movement-Soldier of the Filipino People- Young Officers Union] through an alleged spokesman Gabriel Dimasupil also hit the military leadership for spreading black propaganda against their movement.

The RAM-SFP-YOU statement came four days after alert stockade guards foiled a mass jail break by renegade soldiers inside Camp Aguinaldo's maximum security prison.

The military leadership also played down coup threats after the failed jail break attempt and reiterated offers for a peace dialogue.

The renegades snubbed the military offers for peace talks and instead warned the Aquino administration "for the last time, to immediately show a direction, not just mere rhetoric to save democracy, but to save our beloved country and people."

"Since December 1989 we held our forces on the line and honored the movement's unilateral declaration not to move against the Aquino government," the statement said hinting that they have given the government time to make reforms.

"Unfortunately, the political, social and economic situation has turned from bad to worse..."

The military rebels claimed they would only lay down their arms if they would observe the Aquino administration sincerely instituting reforms in the country.

But they hinted that another attempt to topple the government would be made if the situation would not change.

They also accused the government of making "bounty-hunting" a "national policy" when it sent scores of intelligence men despite reports of moratorium in arrest operations.

Meanwhile, police authorities reported a grenade explosion in a high school building in Sta. Inez, Tarlac which injured at least 12 junior high school students.

No group has claimed responsibility for the grenade attack.

There were no immediate reports on the motive of the grenade throwing incident.

Meanwhile, military and police officials claimed to have almost decimated the leadership of the communist New People's Army [NPA] following the series of arrests of top-ranked CPP [Communist Party of the Philippines]-NPA leaders in the metropolis during the last 12 days.

Major General Gerardo Flores, the PNP [Philippine National Police] intelligence chief, said the five ranking leaders of the NPA General Command have been completely neutralized except for the head of the operations department (N-3) and leader of the NPA-General Command's special operations section.

Flores said all efforts are now geared to capture the 33-year-old engineering dropout Lucio Borlaza who leads a 30-man special team that conducts high-impact, political quality sabotage and assassination projects.

Borlaza, who is also known as Tex, Brix, Joseph and Jonathan Sanchez, has a P [Philippine pesos] 1 million cash reward for his capture and was one of the 11 NPA cadres that underwent special commando training in Pyongyang, North Korea in 1987. (North Korea has recently pledged to cut all links with the local insurgency movement after efforts to establish diplomatic relations between the two countries began early this year.)

Borlaza's group is one of the most impenetrable organizations in the NPA organization, making it the most elusive targets of the military.

Borlaza's arrest would completely cripple the NPA movement, a senior military intelligence official said. The military has already neutralized the alleged head of the NPA, Romulo Kintanar and his second in command, Antonio Cabardo.

Thailand

Editorial Recalls 1988 Uprising in Burma

BK0808024191 Bangkok BANGKOK POST in English 8 Aug 91 p 4

[Editorial: "Burmese Remember Day of Anger and Anguish"]

[Text] Three years ago today, the eyes of Asia and much of the world focused on Burma. Even before the historic democracy movements brought freedom to Eastern Europe, hugely popular and peaceful protests were sweeping our western neighbour. The gatherings worked their way outwards from Rangoon to every town and to much of the countryside. The protesters' demands were simple: The ouster of the military regime led by Gen Ne Win, and the installation of a democratic system. The long-oppressed and suffering Burmese captured the hearts of many with their mass demonstrations.

The Democracy Movement of August 8, 1988 died within weeks. While Ne Win himself resigned his official post as president, his henchmen gunned down a large number of citizens and crushed the movement. Instead of democracy, Burmese were subjected to more oppression than before under a military junta now known as SLORC—the State Law and Order Restoration Council. Instead of freedom, leaders of the movement were jailed and often tortured. A sham election in May 1990 served only to identify more politicians and expose them to arrest on trumped-up charges, or no charges at all.

The death toll from the 1988 Democracy Movement is unknown. According to human rights investigators of the London-based Amnesty International, "thousands" fell before the Army's guns before the demonstrators gave up. The SLORC junta, led by ruthless intelligence specialist Maj-Gen Khin Nyunt, has retracted every promise of freedom it made when it assumed power. It also has failed to advance the country a step up on the economic scale. As Burmese mark the third anniversary of the 8-8-88 uprising, they are even poorer than they were then.

In the three years since they gained power by bloodshed, the SLORC has become notorious as one of the most cruel of the world's remaining dictatorships. As dozens of totalitarian regimes around the world have crumbled, SLORC has pursued total power over its citizens with a relentless style matched by few dictatorships in history. All its known patriotic opposition is jailed. When the European Parliament awarded the elected leader of Burma—Aung San Suu Kyi—its Sakharov Prize as a freedom fighter, SLORC's reaction was a xenophobic public campaign against foreigners trying to influence its citizens.

When all those Burmese died three years ago today for demanding their rights as citizens, much of the attention the world had given died with them. SLORC has been able to tighten its control to an ever-greater degree partly because much of the world has forgotten the killings. The decision by ASEAN members last month to ignore the excesses of power by SLORC was the latest in a series of lamentable decisions by many governments to ease the pressure on the Rangoon regime. Even in an imperfect world, the Burmese leadership stands out as a worst-case example of dictatorship.

SLORC, despite promises to the contrary, has effectively continued most of the ruinous economic policies of Ne Win, as well as his politicdal dictatorship. The few concessions made to free enterprise since the 1988 democracy movement have seldom been significant. Natural and human resources continue to be squandered, usually to the unique profit of SLORC membes or cronies. The individual Burmese is poorer than ever, and the burden increases as citizens and traders alike lose confidence in the kyat. The currency has lost value by the day recently, spurred by rumours that SLORC intends once again to demonetise several banknotes. Only recently worth about one baht, a kyat today brings about 25 satang [1 U.S. cent].

The actions by the Burmese leadership as the 8-8-88 Movement gathered steam three years ago were tragic. The deaths will long be mourned by democrats throughout the world. SLORC's stubborn campaign against its own people is equally as bad. Burma today is an oppressive country. Its once-happy and prosperous population lives in poverty and in fear of its own government.

It is an unhappy fact that men with guns can cow a nation for many long years. The Burmese have been suffering under Ne Win and his successors since 1962. In a world that has grown closer and generally more free in the past three years, Burma stands as one of a tiny handful of nations where freedom has taken several steps backwards.

Three Political Parties Protest Draft

BK0808015991 Bangkok BANGKOK POST in English 8 Aug 91 p 1

[Text] The Phalang Tham (PDP), Solidarity and New Aspiration (NAP) parties consolidated forces yesterday with the issue of a joint statement calling for sweeping changes in the constitution draft.

In the statement signed by their secretaries-general, the parties claimed the draft was undemocratic, contradicted the people's basic right to freedom, obstructed the role of elected representatives and sought an extension in the power of certain military personnel.

The statement called for eight changes in the draft before it was forwarded to the NLA [National Legislative Assembly] for deliberation.

The three parties said the draft proposal for a nine-man constitutional committee should be scrapped because it was obviously intended to extend the power of the military after the election.

Constitutional amendments should also be made easier for the Cabinet, Lower House members or the Senate with the support of at least a fifth of parliamentary members.

Amendments could be approved at the first reading by at least half the members of the two houses and final approval at the third reading by more than half the two houses' members.

The three parties demanded that the number of Senate members be limited to no more than half the total number of Lower House members. The role of senators should also be limited to that stated in the 1978 Constitution.

The statement said thre should be at least two parliamentary sessions a year and motions, interpellations and legislative drafts could all be deliberated during these two sessions. The prime minister must also be a member of the House of Representatives, the parties demanded. The three parties disagreed with the proposal in the constitution draft to increase the size of each electorate.

MPs appointed to Cabinet posts should also be allowed to perform their parliamentary duties. And the statement said political parties should not be forced to field the maximum number of candidates allowable in each constituency.

Phalang Tham secretary-general Col Chinawut Sunthonsima, Solidarity Secretary General Uthai Phimchaichon and New Aspiration representative Sqn-Ldr Prasong Sunsiri together handed the letter to NLA Vice President Asa Meksawan at Parliament yesterday. They also forwarded a copy of the letter to Constitution Drafting Committee Chairman Michai Ruchupan.

Sqn-Ldr Prasong said the parties believed the power seized from the people in the February 23 coup was being partially withheld by the Constitution. He said the draft charter had too many hidden "alien" elements which were undemocratic.

Mr Uthai said the National Peace Keeping Council claimed to have staged the coup to rid the country of corrupt politicians and vote-buying but to date had done little of substance on either count.

"They took action against some corrupt people but not others," he said. "Their measures are not straight. Their is nothing in the charter which would tackle the vote-buying problem."

Editorial Considers New Interior Secretary

BK0808023591 Bangkok THE NATION in English 8 Aug 91 p A10

[Editorial: "How will Anan fit into the picture?"]

[Text] The surprise appointment of Anan Anantakun to the post of interior permanent secretary is very difficult to explain. It would be much easier to tell why the other top contenders were not chosen.

Lands Director-General Ari Wong-araya was at first the front runner in the race for the top bureaucratic post, which arguably is second only to the Army commander in terms of influence. But Ari's past close connections with Pol Gen Praman Adireksan and Banhan Sinlapaacha, both of whom were interior ministers in the Chatchai administration, was a political liability that weighed him down.

Overtaking Ari in the home stretch was Deputy Permanent Secretary Chamnan Potchana, whom most press reports last week concurred would win the race. At the same time the third contender, Deputy Permanent Secretary Chuwong Chayabut, lost out early when he was given the post of director-general of the Local Administration Department.

Just when it looked all set for Chamnan to get the post, Anan suddenly came into the picture. Anan could hardly be called a dark horse because he was the permanent secretary for about a year before the Feb 23 coup. After that he was removed by the National Peace Keeping Council [NPKC] to an inactive post in the PM's Office.

Anan was at that time perceived by the NPKC as one of ex-Premier Gen Chatchai Chunhawan's men. He was secretary-general to the Cabinet before the Chatchai administration appointed him interior permanent secretary in February, 1990. He was accompanying Chatchai on a trip to Chiang Mai on the Feb 23 morning when Air Force commandos detained the prime minister and his team at gunpoint at Don Muang airport.

So why is Anan being sent back to the Interior Ministry?

Outgoing Interior Permanent Secretary Charoenchit Na Songkhla disclosed that he was responsible for nominating Anan, citing Anan's integrity, ability and experience, especially in organizing general elections. Before Anan was appointed secretary-general to the Cabinet during the Prem administration, he was a senior official in the Interior Ministry, which he joined in 1954.

Prime Minister Anan Panyarachun heard about Anan's ability and brought him out of bureaucratic oblivion by appointing him as one of his advisers. NPKC Chairman Gen Sunthon Khongsomphong and Interior Minister Gen Itsaraphong Nunpackdi, who seemed to have the final say, were quite fond of Anan.

On Tuesday the Cabinet approved Anan's appointment. Yesterday he was officially assigned to oversee the next general election.

If expertise and experience in organizing elections were the decisive factors in Anan's appointment, why has Pathum Thani Governor Yuwarat Kamolawet—a leading election expert—been transferred to head the Labour Department, instead of some other post where he could directly contribute to the election process?

Regardless of the real reasons, Anan now owes his reinstatement to Gen Itsaraphong and, to a lesser degree, to Charoenchit, who has just been appointed deputy interior minister as well. Anan's record shows that he is flexible enough to serve whoever is his boss.

Supporters may see Anan's flexibility as an asset. But his critics, including several senior officials in the Interior Ministry, dislike Anan's style of bending with the wind.

In the past the largest party in a government coalition would always control the Interior Ministry and handpick a permanent secretary to run it. Before each election, the party would use the interior minister and the permanent secretary to appoint new provincial governors, ensuring that officials friendly to the party were in charge of key provinces.

The Interior Ministry reshuffle on Tuesday saw governors being removed in provinces that had been strongholds of the Chat Thai Party, such as Suphan Buri, Phet Buri, Prachin Buri, Angthong and Buri Ram—a move clearly aimed at undoing the work of the two Chat Thai Interior ministers.

The NPKC says it is not backing any particular party, not even the much-publicized Justice Unity Party set up specifically to support Army Commander Gen Suchinda Khraprayun. But as the interior minister, Gen Itsaraphong, who is also NPKC secretary-general and deputy Army commander, is in a position to help or undercut any party if he wishes. And with Anan at his side, Gen Itsaraphong has virtually unlimited room for manoeuvre.

If Justice Unity and its allies win enough seats in the election to form a coalition government, the Army chief will probably be invited to take the premiership. And Gen Suchinda has made it abundantly clear that his successor in the top Army post will be Gen Itsaraphong.

Chatchai Backs Sombun as New Chat Thai Leader

BK0808020591 Bangkok THE NATION in English 8 Aug 91 p A1, A2

[Text] Ex-premier Gen Chatchai Chunhawan has voiced support for ACM [Air Chief Marshal] Sombun Rahong to succeed him as new Chat Thai leader, saying the Airports Authority of Thailand [AAT] managing director is qualified for the job, Chat Thai sources said yesterday.

In a meeting with a group of followers at his Ratchakhru residence on Tuesday, the inactive Chat Thai leader also indicated that senior Chat Thai members had already agreed to Sombun's takeover.

Sombun will have to resign from the AAT if he agrees to succeed Chatchai as Chat Thai leader.

The AAT boss is no stranger to Chat Thai, having been a member since he was seconded from the Air Force to become Chat Thai Advisory Chairman Pol [Police General] Gen Praman Adireksan's aide de camp when the later was deputy premier and defence minister in the seventies. Praman was then leader of the Chat Thai Party.

Sombun is also said to have established cozy relations with military leaders, particularly those in the Royal Thai Airforce.

The AAT managing director received Chatchai at Don Muang International Airport upon his return from voluntary exile in London and escorted the ex-premier to the Ratchakhru residence. Informed sources said Chatchai had asked Sombun to see him after his return.

Pol Gen Praman also visited Chatchai at his house on the same day.

Chatchai told the supporters that his decision to quit politics was final and that he had already left it to Pol Gen Praman, who is chairman of the party's advisory board, Secretary General Banhan Sinlapa-acha and Deputy Leader Sano Thianthong to work out the succession problem.

"They have talked it out (and agreed that Sombun should take over as the new party leader)," Chatchai was quoted as telling the supporters.

The former premier expressed approval at the decision.

"He is qualified for the job because he is suave, friendly and persuasive. And I don't think Pol Gen Praman would oppose his takeover because the AAT chief used to serve as his aide de camp," Chatchai said.

He also urged the former Chat Thai MPs [members of parliament] to stick to Chat Thai and support the emerging leadership despite his own retirement.

"It would be a pity if the party had to break up after many years of existence," Chatchai, who was one of the party's co-founders and its first secretary general, said.

Chatchai also explained why he had to retire from politics for good.

"I have given it up. If I were to resume my political career, I would have to try to become prime minister again, and you can figure out what would happen. They (the military) would never let that scenario come true," he said.

He said it would be selfish of him to resume his political career because that would go against "national interests". He did not elaborate.

Chaloem, Some MPs 'Blacklisted' as 'Godfathers'

BK0808014591 Bangkok THE NATION in English 8 Aug 91 p A1

[Excerpt] A total of 174 people, including many former Chat Thai Party MPs [members of parliament] and former Cabinet Minister Pol Capt Chaloem Yubamrung, have been blacklisted by the Police Department as chao pho (godfathers) and may face tough action under special legislation being considered by the Interior Ministry.

The list stunned Interior Minister Gen Itsaraphong Nunphakdi when Police Director General Pol Gen Sawat Amonwiwat showed it to him at a meeting of senior Interior Ministry officials called by the minister on Aug 2 to discuss measures to curb chao pho's influence, informed sources told THE NATION.

Itsaraphong and the other officials agreed at the meeting that the present laws against godfathers' illegal activities, including organizing gambling dens, were too lenient and that new legislation was needed that would institute harsher penalties.

A proposal was even raised at the meeting, chaired by the minister at the headquarters of the Accelerated Crime Suppression Committee, to round up chao pho and detain them on an isolated island.

Itsaraphong said yesterday that though detaining godfathers on an island might sound like a joke to some; such measures had been adopted in other countries.

"Given this, it's not just a humorous suggestion," he said.

The minister said a subcommittee of the suppression committee was drawing up special legislation concerning chao pho, and it still might include measures to isolate the godfathers from society.

Itsaraphong added that he would monitor reactions from law enforcement officials and the public to such legislation before making any decision.

Informed sources said that among the former Chat Thai MPs listed as "influential people" were Piya Angkinan, alias Sia Paeng (Phet Buri), Bunsong Somchai, alias Sia Bo (Prachin Buri), Udomsak Thangthong, alias Sia O (Prachuap Khiri Khan), Somphao Prachuapmo, alias Sia So (Prachuap Khiri Khan), or Chongchai Thiangtham (Suphan Buri) and Sia Tho or Thanit Traisuwan (Trat).

Muan Chon Party leader Pol Capt Chaloem Yubamrung, who took refuge in Denmark following the Feb 23 coup, is among the 174 people on the list and is accused of underworld activities in Thon Buri. [passage omitted]

Vietnam

Deputy Foreign Minister Opens Talks in China

BK0808040691 Hong Kong AFP in English 0224 GMT 8 Aug 91

[Text] Beijing, Aug 8 (AFP)—Vietnamese Deputy Foreign Minister Nguyen Dy Nien opened talks here Thursday with his Chinese counterpart Xu Dunxin.

The two men were expected to exchange views on the Cambodia issue and on concrete measures to normalize relations, an informed Asian source said.

Nien arrived late Wednesday for a four-day visit aimed at restoring normal relations between the long-time communist rivals.

The vice-minister level contact was the first after a 14-month interruption due to a stall in Cambodian peace talks. Hanoi and Beijing support opposing parties in the conflict.

Agreement 'in Principle' To Normalize Ties

BK0808095691 Hong Kong AFP in English 0948 GMT 8 Aug 91

[Text] Hanoi, Aug 8 (AFP)—Vietnam and China agreed in principle to normalise relations during a recent unannounced visit to Beijing by General Le Duc Anh, number two in the Vietnamese Communist Party, diplomatic and Vietnamese sources said Thursday.

Relations between the two Communist nations have been badly strained since Vietnam's invasion of Cambodia more than 12 years ago.

The visit of Anh, who is also Vietnam's Defence Minister, has not been officially confirmed.

On Wednesday Vietnamese Deputy Foreign Minister Nguyen Dy Nien arrived in Beijing on a four-day visit for further discussions on normalizing ties, a Vietnamese source in the Chinese capital said.

The sources here said the normalisation process, which has accelerated in recent months as progress was made toward a peace settlement in Cambodia, would be made official during an October trip to beijing by party Secretary General Do Muoi, Vietnam's senior leader.

USSR's Pavlov Extends Sympathy on Flooding

BK0708150591 Hanoi VNA in English 1422 GMT 7 Aug 91

[Text] Hanoi VNA August 7—Soviet Prime Minister V. Pavlov on August 5 extended to Do Muoi, general secretary of the Communist Party of Vietnam Central Committee and chairman of the Council of Ministers, his deep sympathy over the heavy human and material losses caused to people in the northern mountain Province of Son La, by the recent floods.

ASEAN Viewpoint on Regional Security

BK0708102891 Hanoi VNA in English 0635 GMT 7 Aug 91

[Text] Hanoi VNA August 7—NHAN DAN today expresses its support for ASEAN's viewpoint that to build a Zone of Peace, Freedom and Neutrality (ZOPFAN), is an important element to maintain peace and stability in the region.

In a commentary on the recent meeting in Kuala Lumpur of ASEAN foreign ministers, the paper says:

"So far, the ASEAN countries have been wary about proposals on regional security put forward by some big countries outside Southeast Asia. ASEAN countries' foremost objective is economic development. But for this purpose, peace and stability in the region are indispensable. For that reason, alongside the economic issue, ASEAN countries have paid much attention to the security issue. Some aspects of ASEAN's concept about this issue deserve particular attention since they conform with realities in the region and the world. Firstly, this concept requires an overall outlook on security". Malaysian Minister A.A. Badawi, in fact, pointed out that the security issue should not be confined in the military aspect but it must relate also to the economic and political issues. For that reason, he proposed the strengthening of regional security. By strengthening mutual assistance and trust through economic cooperation as well as commitment to settle the Cambodia issue to improve regional security and draw the Indochinese countries into the mainstream of the region. "Asean countries do not want to transform its organization into a military alliance," he said.

The paper goes on: "The concept about ZOPFAN together with the proposal of the three Indochinese countries for a Southeast Asia of peace, stability and cooperation are good foundations for the dialogue between groups of countries and among countries in the region aimed at establishing a Southeast Asian region of lasting peace, security and cooperation to develop the economy, thus meeting the genuine interests of nearly 400 million people in the region as well as the interests of peace and stability in the world, including ASEAN".

Function for Grant of EC Credits to Repatriates

BK0808065491 Hanoi VNA in English 0550 GMT 8 Aug 91

[Text] Hanoi VNA August 8—A function was recently held in Ho Chi Minh City to grant the EC's credits of 130,000 U.S. dollars to repatriates in the city.

Present at the ceremony jointly sponsored by the Vietnam Agriculture Bank and the European Community representation were Mr Pham Van Truc, director general of the Agriculture Bank; Mr. J.M. Warnon, director general of the EC programme; the French Ambassador to Vietnam; the German Consul General in Ho Chi Minh City; and representatives of H.C.R. [High Commission for Refugees].

The sum is part of the EC programme of 1.3 million U.S. dollars worth of credits to the repatriated Vietnamese asylum seekers this year. In the first drive, the EC will grant credits of 500,000 U.S. dollars to repatriates in Quang Ninh, Haiphong and Ho Chi Minh City. The borrowers have to pay the creditors and will benefit from a 50 percent cut rate on the interests if they pay their debts on schedule.

Minister Discusses Agricultural Progress

BK0708101391 Hanoi VNA in English 0609 GMT 7 Aug 91

[Text] Hanoi VNA August 7—"Considerable progress has been made in agricultural production in the past few years. This year, however, has brought a number of difficulties. Most notable are the drastic changes in international trade relations. These are exerting a direct impact on agricultural production," said the Minister of Agriculture and Food Industry, Nguyen Cong Tan.

In a recent exclusive interview to the English language daily VIETNAM NEWS, Mr Tan continued:

"The state, in anticipation of what was to come, has managed to get enough currency to buy the necessary inputs, particularly fertilizers and insecticides, which are now resold to farmers at reasonable prices. This, together with other incentives, makes it possible for agriculture to develop continuously.

"The winter-spring rice crop in the south, regardless of considerable damage by pests, yielded much more than what had been obtained previously. In the north, however, output dropped to a record low on account of bad weather.

"The summer crop was good, with an increase of 100,000 ha in area and of 300,000 tonnes in output. The main crop is progressing favourably, and a good yield is expected. On the whole, we can expect an annual output equivalent to between 20 million and 21 million tonnes of rice.

"Thanks to sustained renovation in agricultural policy, we have been able to ensure sufficient food supplies to the population, even in areas of bad crops. Food prices remain relatively stable, and we have even managed to export a considerable amount of rice.

"Output continues to rise regarding long-term industrial crops it increases remarkably in certain short-term crops. Cattle breeding and chicken farming remain unchanged in scope".

Asked about the prospects of international cooperation, Mr Tan said: "The development of agriculture along the line of renovation in the past years has filled the people with new hopes. Given the context of a poor country, the state has laid down the line for development in this decade according to which the development of agriculture alongside the development of the food industry and the building of a new countryside, will be of paramount importance. Consequently, priorities have been set for an agriculture which is varied in form, high in productivity, fast and steady in growth. The government has encouraged foreign countries, international organisations and foreign companies to cooperate with Vietnam in developing its agriculture. This cooperation, of different forms—joint ventures, long and short term loans or full investment in production, sales of products and technical and managerial training—will enable Vietnam to develop its agriculture in line with the trend towards economic integration in the world, with an effective division of labour and with mutual benefit.

"Experts of the World Bank, the Asian Development Bank, the United Nations Food and Agriculture Organization and many governments, together with foreign investors, have come to conduct feasibility studies regarding Vietnam's own programmes for agriculture and the food industry. Also, foreign investors are very interested in our development programmes for rice, livestock breeding, rubber, coffee, tea, vegetables, silk and other lines, realising that they can bank greatly on Vietnam's tropical climate, good soil and abundant labour, which will help them soon start producing en masse product that can have a good share of the world market".

National Assembly Proceedings for 7 Aug Reported

BK0708130691 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 7 Aug 91

[Text] The ninth session of the eighth National Assembly entered its 10th day today, 7 August. In the morning, deputies continued their group discussions on measures to reform the wage system. The Council of Ministers has reported to the National Assembly its studies and measures to renovate the wage policy as well as orientations for further studies in the future.

After examining these studies and measures, the National Assembly noted that reforming the wage policy is a great, complicated task that has a close association to the process of renovating socioeconomic policies and improving state mechanism and activities. As a result, it is necessary to carefully study this issue to formulate plans for implementation at various stages. This is aimed at satisfactorily fulfilling our objectives while avoiding an impact on socioeconomic stability.

Deputies continued their group discussions in the afternoon to debate on the redelineation of administrative boundaries of provinces and cities. Through their discussions, the deputies contended that the redelineation is a very important task given the state lines and policies on renovating the management and administration mechanism.

The Council of Ministers, during the past period, has instructed responsible agencies to prepare topics for discussion and hold seminars to solicit ideas from specialists to establish appropriate arguments supporting the redelineation of administrative boundaries. The research is still continuing and as a result, in its ninth session, the National Assembly will discuss the redelineation of only some provinces proposed by the Council of Ministers.

Correspondent Holds Informal Talks With Deputies

BK0808103191 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 28 Jul 91

[Report by Station Correspondent Dao Nguyen on informal conversations between himself and deputies to the ninth session of the eighth National Assembly in the corridor of the Ba Dinh conference hall—date not given; partially recorded]

[Summary from poor reception] In my conversations with members of various National Assembly delegations, I was able not only to take note of new information on the socioeconomic situation in their localities, but also to come to know their thoughts about the various issues set forth in the agenda of this session.

When chatting with brother Bach Hung Dao, delegate from Nghe Tinh, during break time, I was told that "the people in Uncle Ho's home province are happily inspired by and believe in the policy of renovation laid down by the seventh party congress. In reality, however, they still reveal some anxieties about the socioeconomic situation in our country. Therefore, at this session of the National Assembly, brother Dao will touch on a number of matters which, he thinks, are very essential."

In the corridor of the conference hall, I met a young woman deputy with a radiant smile. That was sister Tran My Dung. "Sister Dung told me that she is a cadre of the labor, war invalids, and social welfare sector, and that prior to attending this session of the National Assembly with other deputies from her home province, she had met with the local voters to seek an understanding of their situation and listen to their views and aspirations."

According to her, the questions to be raised in the agenda of this session of the National Assembly are matters of great concern to the people of Hau Giang. When asked what issues would she like to discuss at this session, sister Tran My Dung said:

"In the agenda of the National Assembly at this session, I am interested, first, in the amendment of the 1980 Constitution and, second, the socioeconomic situation. I would like to hear the Council of Ministers' report on the socioeconomic situation in the first six months of the year and the orientations for socioeconomic tasks in the last six months of the year."

Despite the fact that he is a National Assembly deputy from Duy Xuyen district—one of the districts of Quang Nam-Danang Province that is actively expanding the mulberry and silk worm sector—brother Le Trung Lan did not talk much about mulberry and silk worms. "In his conversation with me, brother Lan, however, laid stress on the need to help state-run establishments rise up and to make state-operated production sector capable of playing the leading role in our country's multicomponent economy at present. He also held that the enforcement of tax laws by the National Assembly has had a direct effect on the economic activities of our entire society."

Later, when I met the delegation of Hanoi National Assembly deputies, brother Nguyen Xuan Sang talked about the amendment of the Constitution. He said: "Due to certain changes in the characteristics of the world situation, I can see that the amendment of the Constitution at this National Assembly session is an essential and urgent matter. This is aimed at more satisfactorily managing the country under the new situation by law. Only by satisfactorily drafting or amending the Constitution can we use it as the firm basis for the drafting of socioeconomic laws."

Australia

ANC's Sisulu to Visit Australia 10 Aug

BK0708132791 Hong Kong AFP in English 1204 GMT 7 Aug 91

[Text] Sydney, Aug 7 (AFP)—African National Congress (ANC) Deputy President Walter Sisulu is to arrive in Australia Saturday for an official 12-day visit, the foreign affairs department announced Wednesday.

Sisulu, 79, was jailed for 25 years with ANC President Nelson Mandela, whose visit to Australia last October drew crowds of tens of thousands.

The ANC vice president will arrive in Sydney accompanied by his wife Albertina Saturday morning, hold a news conference in the afternoon and attend an ANC dinner at night, Foreign Affairs Department Spokeswoman Barbara Hewitt said.

He will meet Foreign Minister Gareth Evans on Tuesday and Prime Minister Bob Hawke Thursday in Canberra and is expected to meet state premiers during a whistlestop tour of the country.

His visit is being arranged under a special visits program which the department says is intended to expose the country to leading figures who are not decision-makers.

Evans visited Sisulu at his home in the black township of Soweto, outside Johannesburg, during a recent controversial trip to South Africa which angered many ANC opponents.

Rival Zulu leader Mangosuthu Buthelezi displayed open disaffection with Evans during the trip.

The radical Pan Africanist Congress (PAC) snubbed him, and the South African press reviled him.

Hawke is considering a visit to South Africa in October after he attends the commonwealth heads of government meeting in Zimbabwe.

Analysts Criticize Anti-Inflation Policies

BK0708111491 Hong Kong AFP in English 0805 GMT 7 Aug 91

[By Michael Collins]

[Text] Sydney, Aug 7 (AFP)—Australian Treasurer John Kerin ruled out interest rate cuts and heralded a tougher anti-inflation line, despite figures out Wednesday which showed the nation's annual inflation rate had fallen to a 21-year low.

Economists warned that Kerin's stance would be "dangerous" because it risked creating a low-inflation, low-growth economy which still had chronic trade woes.

The Bureau of Statistics said that inflation had fallen to 3.4 percent in the year to June 30, the lowest annual figure since the March quarter 1970.

Kerin said interest rates would not be cut until further gains had been made against inflation.

"Today's CPI (Consumer Price Index) result is most welcome, but it does not by itself justify a cut in interest rates," he said in a statement.

"Further (interest rate) reductions before we have firmly locked in low inflation rates and changed Australia's inflation psychology would run the risk of undoing the progress of recent times," Kerin said.

"Reducing inflationary expectations further is essential to a stepdown to a sustained lower inflationary performance."

Kerin's comments stalled rallies on the stock and money markets. Traders had hoped that a low CPI would foreshadow cuts in cash rates which have been eased 7.5 percentage points to 10.5 percent since January 1990.

The bureau said that falls in petrol and vegetable prices helped restrict the rise in the June quarter CPI to 0.1 percent, compared to a fall of 0.2 percent in the March quarter and a jump of 1.6 percent during the June quarter last year.

The annual inflation result, down from 4.9 percent in the year to March 31, was the lowest genuine annual figure recorded since the March quarter 1970 of 3.2 percent.

During the December quarter 1984, a change to the government's health care policy produced a distorted annual inflation figure of 2.6 percent.

Jeff Schubert, Economist from Hongkongbank Australia warned that targetting inflation above all else could be at the expense of economic growth.

"They are putting too much emphasis on fighting inflation," he said in an interview.

"It allows the currency to rise and that tends to encourage imports," he said, adding that Australia's current account problem would be exacerbated once the economy recovered.

"Inflation will come down but economic growth will remain slow," he said.

Less price discounting, especially for petrol, and wage pushes meant that the quarterly CPIs would rise over the next six months, even though the annual rate would keep falling, he said.

"The annual rate could be down to three percent by the end of the year.

"The recession is obviously having an effect," Schubert said.

The Australian dollar was trading at 78.35 U.S. cents at about 1700 local time (0700 GMT) compared to 78.25 U.S. cents at the same time Tuesday.

The sharemarket's all ordinaries index closed 12.0 points higher at 1591.3, a new 12-month high, but off the day's high of 1595.8.

Ninety-day bank bills ended at 10.25 percent compared to Tuesday's close of 10.18 percent.

Ten-year bonds, after falling to 10.66 percent, ended at 10.80 percent compared to their previous finish of 10.90 percent.

In the past 21 years, Australia's inflation peaked at 17.6 percent in the year to March 1975. Its highest yearly rate since World War II was 25.3 percent in the year to December 1951.

Evans Criticizes Wheat Exporters on Subsidies

BK0708114591 Hong Kong AFP in English 1028 GMT 7 Aug 91

[Text] Canberra, Aug 7 (AFP)—The Australian Government vented its spleen on major wheat exporters Wednesday, telling the United States that subsidies were "a toxic issue," and carpeting the ambassadors of all 12 European Community (EC) nations.

The U.S. assistant secretary for East Asia and the Pacific, Richard Solomon, told a news conference that Foreign Minister Gareth Evans described wheat sales in Australia's traditional markets as "a toxic issue."

A spokesman for Mr. Evans confirmed that the minister used the phrase.

But Prime Minister Bob Hawke told journalists: "the main culprits are not the U.S. but the Europeans against whom the U.S. is reacting."

The minister for primary industries and energy, Simon Crean, called the ambassadors of the 12 EC countries to his office and told them their governments' export subsidies were "extravagant" and "indiscriminate."

Crean's spokeswoman said there was no dialogue in the brief meeting.

"They came in; Simon delivered an aide memoire and they left," she said.

Crean asserted, however, that Dutch Ambassador Cornelius Bast, who acted as spokesman for the group, admitted that a wheat subsidy war was being waged with the United States and that the EC "deplored" it.

The ambassadors agreed to report Australia's "grave concern" to their governments, Crean said.

Hawke told reporters here that he was "disappointed" that the United States had not taken more notice of Australian concerns over subsidised wheat sales to China and Yemen.

He said he had told President George Bush that Australia's disappointment was strong and "very real," but he added that Australia must back Washington against the EC.

The United States had stood "shoulder to shoulder" with Australia and other members of the Cairns Group of agricultural trading nations in the Uruguay Round, Hawke said.

"We have to try and work it out in the Uruguay Round," he added.

In his aide memoire, Crean said, "this trade subsidy war has now got completely out of hand and Australia asks that the EC immediately refrain the aggressive use of its export subsidies."

The EC's Common Agricultural Policy meant that the community had in just over a decade moved from being "a major grain importer to one of the world's largest exporters, with 20 percent of the export market for wheat," he said.

It had achieved that by more than trebling spending on wheat and flour subsidies since 1985, he said.

Crean said the price of wheat had dropped 35 percent in the past 18 months.

Although world production was expected to drop by 40 million tonnes in the current season, there was no prospect of a rise in prices, because of the subsidy war.

"Recent sales into China are a classic effect of the subsidy war," he said.

"Prior to the recent EC sale of 1.5 million tonnes, prices in that market were 80 U.S. dollars and above. The EC sale of 75 U.S. dollars per tonne is unexplainable. The U.S. immediately retaliated at the same price and this has now set the tone for the international market."

Government Plans To Normalize RSA Relations

MB0708105991 Umtata Capital Radio in English 1000 GMT 7 Aug 91

[Text] The Australian Government has approved a timetable to normalize relations with South Africa. Speaking on Australian television a few moments ago, Prime Minister Bob Hawke said the cabinet put forward a three-stage approach, which will be discussed during a meeting of the Commonwealth foreign ministers in India next month. Zayed Cachalia reports:

[Begin recording] [Cachalia] Mr. Hawke said the first stage of lifting sanctions, which could be done quickly, involved freeing people-to-people contacts in areas such as sport, visas, and air routes. Mr. Hawke said lifting the second stage of sanctions on trade, investment, and finance would be linked to the establishment of a new interim government or assembly in South Africa. In the third stage, the arms embargo would go when the new South African Government was fully in place.

[Hawke] Having been at the forefront in imposing sanctions, I want to be at the forefront of the process of responsibly removing them.

[Cachalia] This comes a day after the Australian Cricket Board said it was ready to invite South Africa to next year's World Cup. [end recording]

New Zealand

Poll Gives Party 34 Percent Approval Rating

BK0708131891 Hong Kong AFP in English 1108 GMT 7 Aug 91

[Text] Wellington, Aug 7 (AFP)—New Zealand's ruling National Party appeared to be haemorrhaging Wednesday as a new opinion poll showed a continued decline in public support, amid reports of widespread resignations from the party.

In its lead story, the influential NEW ZEALAND HERALD, usually a supporter of the conservative party, quoted resigning long-time members as saying the party was destroying itself.

The report came eight days after Finance Minister Ruth Richardson tabled a tough budget which, among other harsh measures, introduced a so-called "clawback" to reclaim the state-paid pension from high-income people.

Later in the day, the Television New Zealand-Heylen poll reported a post-budget drop to 34 percent support for the National Party, a further slide of three percentage points in less than a month and a new record low.

The poll gave the country's labour party 43 percent support, down from 45 percent, with minor parties picking up from the two major formations.

The National Party government, elected last October, has had the fastest drop in public support in the history of polling here and political observers are no wondering whether Prime Minister Jim Bolger can hold on to power for his full three-year team, due to end in 1993.

In its report, THE HERALD quoted two senior party members as saying they had resigned from the party because of the clawback.

One, party branch chairman Sir John Kennedy-good, said he expected his group would go into recess.

"We went out and worked very hard before the elections," he said, noting that New Zealanders were told the previous government's surtax on superannuation would be abolished, thereby increasing the pension, only to see the reverse happen.

"I am not prepared to go out and face those people we gave that absolute assurance to," Kennedy-good said.

Another senior party member, John Paterson, said he was cancelling his 45-year-old party membership.

"I think the National Party has self-destructed," and resignations are rampant, he said. "The damage is absolutely colossal to the party. They won't recover."

Fifty percent of respondents to the Television New Zealand-Heylen poll disapproved of the budget "in general," while only 35 percent approved. Fifteen percent did not give an opinion.

The pension issue found 79 percent disapproval. Changes to the health system were also very unpopular, with 67 percent of respondents opposed.

Opposition leader Mike Moore remained the preferred choice as prime minister, but he received only 23-percent support. Mr. Bolger's rating fell another percentage point, to only 15 percent.

Despite of or perhaps because of the budget's tough measures, the poll found New Zealanders remain pessimistic about their country's economic outlook, with 47 percent saying the economy will deteriorate and only 31 percent expecting it to improve.

Lending weight to the perception of a government under siege is the fact that parliamentarians have been working intensely since the budget to pass a range of laws, most of them budget-related.

Parliament sat through the weekend and has been working 13-hour days, as opposition MPs warned that the measures were being passed too hastily and would require revisions later.

Their point was proven Wednesday, to the government's embarrassment, when it admitted a mistake in the superannuation legislation and said it would have to be returned to the legislature.

"If ever the stupidity of rushing through complex legislation while MPs are tired needed proof, then this is it," opposition MP [member of parliment] Michael Cullen said.

"An unintentional legal drafting error which excluded six words" led to the foulup, Social Welfare Minister Jenny Shipley admitted.

Papua New Guinea

Australian Minister To Open New Air Base

BK0808075091 Melbourne Radio Australia in English 0700 GMT 8 Aug 91

[Text] Australia's defense minister, Robert Ray, will officially open a new Air Force base in Papua New Guinea at the weekend. The air base in Port Moresby is a joint project between the Papua New Guinea and Australian Governments. It was jointly constructed by Australian Army engineers and the Papua New Guinea Engineer Batallion at a cost of U.S. $12 million. Ninety percent of the funds were provided by the Australian Government.

Radio Australia's Port Moresby correspondent says the base is considered the biggest modern air complex of its kind in the South Pacific outside Australia and New Zealand. Papua New Guinea's defense minister, Benais Sabumei, says that with the modern facility comes the requirement to acquire the right kind of aircraft, pilots, and maintenance crew to fully utilize its potential.

PNG Scraps Gurkha Recruitment Plan

BK0708131391 Hong Kong AFP in English 1219 GMT 7 Aug 91

[Text] Port Moresby, Aug 7 (AFP)—The Government of Papua New Guinea [PNG] on Wednesday scrapped plans to recruit ex-Gurkhas from Hong Kong after months of nationwide opposition.

Prime Minister Rabbie Namaliu said that the training of unemployed youths in a national service scheme—the task originally intended for the ex-Gurkhas—would be undertaken by the country's own former soldiers.

In April, the government announced plans to recruit up to 5,000 ex-Gurkhas at a cost of 60 million U.S. dollars a year for a proposed national guard.

Young men were to be conscripted to learn national pride, discipline and character building.

The plan—one of several long-term measures adopted by the government to address the country's serious crime problems—drew angry opposition from the public who saw it as an unnecessary, expensive and likely to breed tougher criminals.

Namaliu said the cabinet formally agreed on Wednesday to establish a national service scheme costing 12 million kina (12 million dollars) a year with the emphasis on human development, discipline and employment training.

Those involved would be males aged 16 to 19 and females aged 18 to 19.

For the first year, Namaliu said, the service would be voluntary, and more than 2,800 youths were expected to enroll.

Later, Namaliu said, it was intended to make the service compulsory.

"Officers and trainees will not be issued with arms, and the whole emphasis of the training program will be on character and national pride development," Namaliu told journalists.

"This scheme is not, I repeat, not, military-oriented at all. It is not a supplement to the defence force.

"As this innovative and comprehensive training scheme shows, the whole emphasis will be on character development, national pride, and preparing trainees for employment and to be useful citizens.

"All staff at training centres will be Papua New Guineans. The initial proposal to recruit ex-Gurkhas has been abandoned."

Recruits would undertake such activities as maintaining state property, assist in elections and census, health and education programs, he said.

Date Set for Third Round of Bougainville Talks

BK0708110491 Hong Kong AFP in English 0836 GMT 7 Aug 91

[Text] Port Moresby, Aug 7 (AFP)—The third round of peace talks between the Papua New Guinea [PNG] Government and secessionist rebels on Bougainville will be held on August 26, Prime Minister Rabbie Namaliu announced Wednesday.

He said the parties had agreed to the date but a venue had not been set.

Namaliu said he was keen to see the talks resume, but accused the Bougainville Revolutionary Army (BRA) leadership of playing delay tactics.

"The BRA must start thinking first and foremost about the welfare of the people, not its own political agenda," Namaliu said.

"We want the talks to take place by late August and we appeal to the BRA to agree to talk, as it is committed to doing under the Honiara accord," he said.

The accord signed in Honiara, capital of the Solomon Islands, in January, brought a formal end to months of bloodshed during which the BRA unilaterally declared independence and government troops blockaded the island.

Namaliu said the BRA leadership had written and agreed to August 26 as the date for the next talks.

He accused a BRA delegation which recently visited Geneva of misleading the United Nations Conference on Indigenous People there.

"The BRA accused the government of atrocities, yet conveniently forgot to mention the brutal murder and wounding of security force personnel since the signing of the (Honiara) Accord," Namaliu said.

He said the BRA's "propaganda exercise" was designed to divert attention from the real issue—negotiations on the further implementation of the accord.

"We are determined it (BRA propaganda) won't succeed, and the rehabilitation of the province, and the restoration of services to the people, will remain number one priority," he said.

Namaliu declined to be drawn into discussion on PNG's recent protest to Australia over its issuing of visas to the delegation to Geneva.

He said the matter was now in hands of the Australian authorities to take appropriate action.

Vanuatu

Party Wants Lini To Resign From Premiership

BK0808072791 Hong Kong AFP in English 0642 GMT 8 Aug 91

[Text] Port Vila, Aug 8 (AFP)—Newly elected leaders of Vanuatu's ruling Vanua'aku Party (VP) demanded Thursday that Walter Lini resign as prime minister and hand over government to them.

The demand was made in a statement released to Radio Vanuatu as a defiant Lini, an Anglican priest, continued Thursday to dispute the legality of Wednesday's special congress at which he was dumped as president by a unanimous vote of 83 delegates. The statement was signed by Donald Kalpokas, the man who replaced 48-year-old Lini as president and who is certain to succeed him as prime minister if the VP retains power at the elections due in November.

The congress, which continued through the night until 4 A.M. Thursday, passed a vote of no confidence in Lini's leadership, officials said.

It declared the party had become disenchanted with what it saw as Lini's increasingly dictatorial leadership and demanded that he resign as prime minister.

The VP holds 21 of the 29 seats in Vanuatu's parliament.

The statement, released to radio, claimed Lini was continuing to "divide and mislead" the party and accused him of having "violated" certain resolutions of the congress held earlier this year.

The statement also condemned a VP rival faction of Lini supporters for boycotting Wednesday's congress, held at Mele, and attending a meeting in Rentapao with him.

Wednesday's congress was organised by Kalpokas and his followers after months of turmoil including a wave of ministerial sackings by Lini. Kalpokas was sacked as former foreign minister along with Home Affairs Minister Iolu Abbil and a number of others.

Abbil retained his position as party vice president in the unanimous vote by 83 delegates out of a possible 114 at the congress which met at Mele, near Port Vila.

Sela Molisa, who was elected secretary general, said the vote of no confidence "should be enough for Lini to leave office."

"We would be writing to him today informing him of our decision and our call for him to resign," Molisa told AFP by phone. "We see no reason why he shouldn't resign now that we've voted him out of the party presidency."

Molisa, a former finance minister who was the first cabinet member to be sacked last year, said the row in the party had "caused a lot of confusion within the party and we've a lot of work to do before the polls".

But the new executive was "ready now to take office" and concerned that Lini would use some other tactics to try to hold on to power.

Molisa said Lini could decide to defer the four-yearly general elections, scheduled for November.

"But we know there are a number of constraints if he tries to do that," he said.

The parliament would be automatically dissolved on December 14 and the government had to call elections within 60 days after that.

Meanwhile, Lini insisted Thursday that he is still president pending an appeal against a Supreme Court ruling last weekend rejecting his contention that the congress—which he boycotted—was illegal.

He said in an interview with Radio Vanuatu he believed he still had the support of parliment and would leave it to parliament to prove he had its confidence.

He said he was prepared to attend and open a VP congress after a decision on his appeal, adding he was sure his party would reunite before the coming general elections.